

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Century Entertainment International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



世紀娛樂國際控股有限公司

CENTURY ENTERTAINMENT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 959)

**(1) CAPITAL REORGANISATION;
(2) CHANGE IN BOARD LOT SIZE;
(3) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF THE CONVERTIBLE BOND;
(4) AMENDMENTS TO THE BYE-LAWS
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

A letter from the Board is set out on pages 10 to 41 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 42 to 43 of this circular. A letter from Rainbow Capital (HK) Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 69 of this circular.

A notice convening a special general meeting of the Company to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 1 March 2021 at 11:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy use at the special general meeting is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.

Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

To safeguard the health and safety of shareholders and to prevent and control the spread of the coronavirus (COVID-19), the following precautionary measures will be implemented at the special general meeting:

- compulsory body temperature checks and health declarations
- wearing of surgical face mask
- no gifts, food or beverages will be provided at the meeting

Any person who does not comply with the precautionary measures or is subject to any HKSAR Government prescribed quarantine may be denied entry into the special general meeting venue. The Company reminds shareholders that they may consider appointing the chairman of the special general meeting as their proxy to vote on the relevant resolution(s) at the special general meeting as an alternative to attending the special general meeting in person.

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING . .	7
EXPECTED TIMETABLE	8
LETTER FROM THE BOARD	10
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	42
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	44
APPENDIX I – AMENDMENTS TO THE BYE-LAWS	70
APPENDIX II – GENERAL INFORMATION	79
NOTICE OF SPECIAL GENERAL MEETING	SGM-1

DEFINITIONS

In this circular (including the cover page), unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Amendments to the Bye-laws”	the proposed amendments to the Bye-laws set out in Appendix I to this circular
“Announcement”	the announcement of the Company dated 30 December 2020 in relation to, among other things, the Capital Reorganisation, Change in Board Lot Size, and the Subscription
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day (excluding Saturday, Sunday, any public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Bye-laws”	the bye-laws of the Company as amended from time to time
“Capital Reduction”	the proposal for the reduction of the par value of the issued Consolidated Shares from HK\$2.00 each to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$1.99 on each issued Consolidated Share and the cancellation of any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation immediately after the Share Consolidation

DEFINITIONS

“Capital Reorganisation”	the proposed reorganisation of the capital of the Company by way of (i) the Share Consolidation; (ii) the Capital Reduction; and (iii) the Share Subdivision referred to in this circular
“Casino”	Century Entertainment which was operated within an area of approximately 8,100 square meters situated on the 1st & 2nd floors of the Sunshine Bay Hotel at Village 1, Commune No. 3, Mittaphea Town, Sihanoukville Municipal, Cambodia
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Existing Shares to 10,000 New Shares
“close associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Companies Act”	the Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
“Company”	Century Entertainment International Holdings Limited, an exempted company incorporated in Bermuda with limited liability whose issued Shares are listed on the Stock Exchange
“Completion Date”	being 31 March 2021, or such other date as may be agreed between the parties to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) in writing
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$2.00 each in the capital of the Company immediately after the Share Consolidation but prior to the Capital Reduction
“Conversion Price”	the conversion price of HK\$0.50 per New Share (subject to adjustment as set out in the Convertible Bond instrument, from time to time, if any)

DEFINITIONS

“Conversion Right(s)”	the right(s) attaching to the Convertible Bond to convert in whole or in part (in an integral multiple of HK\$1,000,000) the respective outstanding principal amounts into the Conversion Share(s)
“Conversion Share(s)”	the Share(s) to be issued by the Company as a result of the exercise of the Conversion Rights attaching to the Convertible Bond
“Convertible Bond”	the convertible bond in the principal amount of HK\$50,000,000 to be issued by the Company to the Subscriber pursuant to the terms and conditions of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement)
“Deed of Settlement”	the deed of settlement entered into between the Company and Mr. Ng on 30 December 2020
“Director(s)”	the director(s) of the Company
“East Legend”	East Legend Holdings Limited, a company 100% owned by Mr. Ng
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.20 each in the share capital of the Company
“Gaming Table Business”	the operation and management of the gaming tables in the Casino or the New Casino, as the case may be
“Group”	the Company and its subsidiaries
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Indebted Amount”	an aggregate amount HK\$71,271,758, which is interest free, unsecured and has no fixed repayment term, due to Mr. Ng as at the date of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement)

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Li Chi Fai, Ms. Yeung Pui Han, Regina and Ms. Sie Nien Che, Celia, established for the purpose of advising the Independent Shareholders in relation to the Subscription
“Independent Shareholders”	Shareholders other than the Subscriber and her close associates, and those who are interested in the Subscription
“Last Trading Day”	29 December 2020, being the last full trading day prior to the publication of the Announcement
“Latest Practicable Date”	being 2 February 2021, the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in the circular
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Price”	in respect of a Share at a particular time on a particular date, the average closing price of one Share quoted on the Stock Exchange for the five consecutive trading days ending on the trading day immediately preceding such date
“New Casino”	the casino to be operated within an area of 10,500 square meters situated at Building 89, Long Bay, Say Phuthong Boulevard, Dara Sakor, Koh Kong Province, Cambodia
“New Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Rainbow Capital” or “Independent Financial Adviser”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription

DEFINITIONS

“Record Date”	being 23 February 2021, for the purpose of ascertaining Shareholders’ eligibility to attend and vote at the SGM
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation, Change in Board Lot Size, the Subscription and the Amendments to the Bye-laws
“Share(s)”	the Existing Share(s), the Consolidated Share(s) or the New Share(s), as the case may be
“Shareholder(s)”	holder(s) of the Share(s)
“Share Consolidation”	the proposed consolidation of every ten (10) Existing Shares of par value of HK\$0.20 each into one (1) Consolidated Share of par value of HK\$2.00 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 12 September 2012
“Share Subdivision”	the proposed subdivision of each authorised but unissued Consolidated Share of par value of HK\$2.00 into two hundred (200) New Shares of par value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Mr. Ng”	Mr. Ng Man Sun, a substantial Shareholder, executive Director, the Chairman and Chief Executive Officer of the Company
“Subscription”	the subscription of the Convertible Bond by the Subscriber pursuant to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement)

DEFINITIONS

“Subscription Agreement”	the conditional subscription agreement dated 30 December 2020 entered into between the Company and the Subscriber pursuant to which the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the Convertible Bond
“Supplemental Subscription Agreement”	the supplemental agreement dated 15 January 2021 entered into between the Company and the Subscriber for the purpose to amend certain terms and conditions of the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

PRECAUTIONARY MEASURES FOR THE SGM

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the current COVID-19 situation (the “**COVID-19 Epidemic**”), the Company will implement the following precautionary measures at the SGM:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy or other attendee at the entrance of meeting venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) Prior to entry into the meeting venue, the attendees will have to submit a completed health declaration form confirming their names and contact details, and be asked whether (a) they have travelled to, or to their best of knowledge had close contact with any person who has recently travelled to, areas outside of Hong Kong at any time in the preceding 21 days of the SGM; (b) they are subject to any compulsory quarantine prescribed by the Hong Kong Government; and (c) they have symptoms of the novel coronavirus. Any person who responds affirmatively to any one of the above questions will be denied entry into the meeting venue or be required to leave the meeting venue.
- (iii) Each attendee will be required to wear a surgical face mask throughout the meeting and inside the meeting venue.
- (iv) Appropriate distancing and spacing, if any, in line with the guidance from the Hong Kong Government from time to time will be maintained as required and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding.
- (v) **No gifts, food or beverages will be provided at the SGM.**

To further reduce the risk of COVID-19 spreading at the SGM by limiting the number of attendees, Shareholders are strongly encouraged to consider appointing the chairman of the meeting as their proxy to vote on the resolutions for them instead of attending the meeting in person, by completing and return the form of proxy attached to this circular.

Subject to the development of the COVID-19, the Company may change and implement further precautionary measures and may issue announcement on such changes and further precautionary measures where necessary.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation is set out below. The timetable is subject to the results of the SGM and is therefore for indicative purpose only. An announcement will be made by the Company regarding any changes to the expected timetable as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

2021

Despatch of circular with notice and proxy form of the SGM Friday, 5 February

Latest time for lodging transfer documents and relevant share certificates to be eligible to attend and vote at the SGM 4:30 p.m. on Tuesday, 23 February

Closure of register of members for the purpose of ascertaining Shareholders' eligibility to attend and vote at the SGM (both dates inclusive) Wednesday, 24 February to Monday, 1 March

Latest time for lodging the proxy form of the SGM 11:00 a.m. on Saturday, 27 February

Expected date and time of the SGM 11:00 a.m. on Monday, 1 March

Announcement of the results of the SGM Monday, 1 March

The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reorganisation:

Expected effective date of the Capital Reorganisation 9:00 a.m. on Wednesday, 3 March

First day for free exchange of existing share certificates for new share certificates Wednesday, 3 March

Commencement of dealings in New Shares 9:00 a.m. on Wednesday, 3 March

Original counter for trading in Existing Shares in board lots of 2,000 Existing Shares (in the form of existing share certificates (in blue colour)) temporarily closes 9:00 a.m. on Wednesday, 3 March

EXPECTED TIMETABLE

Temporary counter for trading in New Shares in
board lots of 200 New Shares (in the form of
existing share certificates (in blue colour)) opens9:00 a.m. on Wednesday,
3 March

Original counter for trading in New Shares in
board lots of 10,000 New Shares (in the form of
new share certificates (in green colour)) re-opens9:00 a.m. on Wednesday,
17 March

Parallel trading in New Shares
(in the form of new share certificates (in green colour) and
existing share certificates (in blue colour)) commences9:00 a.m. on Wednesday,
17 March

Designated broker starts to provide matching services
for odd lots of New SharesWednesday,
17 March

Temporary counter for trading in New Shares in
board lots of 200 New Shares (in the form of
existing share certificates (in blue colour)) closes.4:10 p.m. on Friday,
9 April

Parallel trading in New Shares
(in the form of new share certificates (in green colour) and
existing share certificates (in blue colour)) ends4:10 p.m. on Friday,
9 April

Designated broker ceases to provide matching services
for odd lots of New Shares4:10 p.m. on Friday,
9 April

Last day for free exchange of existing share
certificates (in blue colour) for new share certificates
(in green colour)4:30 p.m. on Tuesday,
13 April

This timetable is indicative only and any subsequent changes to the expected timetable
will be announced by the Company as and when appropriate.

LETTER FROM THE BOARD



世紀娛樂國際控股有限公司
CENTURY ENTERTAINMENT INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 959)

Board of Directors:

Executive Directors:

Mr. Ng Man Sun

(Chairman and Chief Executive Officer)

Ms. Ng Wai Yee

Independent Non-executive Directors:

Ms. Yeung Pui Han, Regina

Mr. Li Chi Fai

Ms. Sie Nien Che, Celia

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

**Head office and principal place
of business in Hong Kong:**

Suite 6303-04

63/F, Central Plaza

18 Harbour Road

Wanchai, Hong Kong

5 February 2021

To the Shareholders

Dear Sirs,

- (1) CAPITAL REORGANISATION;
(2) CHANGE IN BOARD LOT SIZE;
(3) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF THE CONVERTIBLE BOND;
(4) AMENDMENTS TO THE BYE-LAWS
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 30 December 2020 and 15 January 2021 in relation to, among other things, the Capital Reorganisation; the Change in Board Lot Size and the Subscription and 2 February 2021 in relation to the Amendments to the Bye-laws.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information in respect of, among other things, (i) details of the Capital Reorganisation, Change in Board Lot Size, the Subscription and the Amendments to the Bye-laws; (ii) recommendation from the Independent Board Committee in respect of the Subscription; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (iv) the notice of the SGM.

CAPITAL REORGANISATION

On 30 December 2020 and subsequently updated on 15 January 2021, the Board proposes to put forward to the Shareholders the Capital Reorganisation, which will comprise:

- (i) the Share Consolidation whereby every ten (10) issued and unissued Existing Shares of par value of HK\$0.20 each will be consolidated into one (1) Consolidated Share of par value of HK\$2.00 each and any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation will be cancelled;
- (ii) the Capital Reduction whereby the par value of each issued Consolidated Share will be reduced from HK\$2.00 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$1.99 on each issued Consolidated Share;
- (iii) the Share Subdivision of every unissued Consolidated Share of par value of HK\$2.00 each in the authorised share capital of the Company into two hundred (200) New Shares of par value of HK\$0.01 each;
- (iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company within the meaning of the Companies Act; and
- (v) the amount standing to the credit of the contributed surplus account be applied to set off the accumulated losses of the Company in full or be applied in any other manner as may be permitted under the Bye-laws and all applicable laws of Bermuda.

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$400,000,000 divided into 2,000,000,000 Existing Shares, of which 1,282,475,614 Existing Shares were issued and credited as fully paid. Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date on which the Share Consolidation becomes effective and only 0.4 fractional Consolidated Shares will be created from the Share Consolidation, the issued share capital of the Company will be HK\$256,495,122.80 divided into 128,247,561 Consolidated Shares of par value of HK\$2.00 each.

LETTER FROM THE BOARD

The fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation, if any, will also be cancelled. Any fractional Consolidated Shares to which the Shareholders are entitled shall be aggregated and sold for the benefit of the Company.

Upon the Capital Reduction becoming effective, the par value of all the issued Consolidated Shares shall be reduced from HK\$2.00 each to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$1.99 per Consolidated Share in issue.

The New Shares will rank *pari passu* in all respects with each other in accordance with the Bye-laws. The issued share capital will be reduced to HK\$1,282,475.61 divided into 128,247,561 New Shares of par value of HK\$0.01 each.

As disclosed in the Company's annual report for the year ended 31 March 2020, the Company's contributed surplus account had a credit balance of approximately HK\$2,285.10 million. Under Bermuda law, the contributed surplus account of a Bermuda exempted company is generally treated for accounting purposes as a distributable reserve and may be used for, among others, the payments of dividends and distributions subject to there being no reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than its liabilities (the "**Solvency Test**").

As contributed surplus is a distributable reserve, apart from making a distribution to shareholders in the manner permitted by the Companies Act, the Company, after obtaining legal advice from the Company's Bermuda legal adviser, is of the view that contributed surplus may be used in such manner as any distributable reserve may be used under the accounting principles adopted by the company, including, if permitted by the accounting principles adopted by the Company, to offset against accumulated losses of the Company so long as the Company could satisfy the Solvency Test. There is no requirement to obtain the sanction of the Bermuda court or the approval of any regulatory authority in Bermuda for a Bermuda exempted company to utilise its contributed surplus account as mentioned above.

Based on 1,282,475,614 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$255,212,646.39 arising from the Capital Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act which, together with the existing credit balance in the Company's contributed surplus account and any credit which may arise as a result of the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation, will be fully applied by the Board to set off the accumulated losses of the Company as at the effective date of the Capital Reorganisation, thereby reducing the accumulated losses of the Company.

Other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company.

LETTER FROM THE BOARD

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

EFFECTS OF THE CAPITAL REORGANISATION

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company before and after the implementation of the Capital Reorganisation, assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganisation.

	As at the Latest Practicable Date	Immediately after the Share Consolidation becoming effective	Immediately after the Capital Reorganisation becoming effective
Par value	HK\$0.20 per Existing Share	HK\$2.00 per Consolidated Share	HK\$0.01 per New Share
Authorised share capital	HK\$400,000,000 divided into 2,000,000,000 Existing Shares	HK\$400,000,000 divided into 200,000,000 Consolidated Shares	HK\$400,000,000 divided into 40,000,000,000 New Shares
Issued and fully paid up or credited as fully paid up share capital	HK\$256,495,122.80 divided into 1,282,475,614 Existing Shares	HK\$256,495,122.00 divided into 128,247,561 Consolidated Shares <i>(Note)</i>	HK\$1,282,475.61 divided into 128,247,561 New Shares <i>(Note)</i>
Unissued share capital	HK\$143,504,877.20 divided into 717,524,386 Existing Shares	HK\$143,504,878.00 divided into 71,752,439 Consolidated Shares <i>(Note)</i>	HK\$398,717,524.39 divided into 39,871,752,439 New Shares <i>(Note)</i>

Note: Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date on which the Share Consolidation becomes effective and only 0.4 fractional Adjusted Consolidated Shares will be created from the Share Consolidation.

LETTER FROM THE BOARD

CHANGE IN BOARD LOT SIZE

Currently, the Shares are traded in board lots of 2,000 Existing Shares. Conditional upon the Share Reorganisation becoming effective, the Board also proposes to change the board lot size for trading on the Stock Exchange from 2,000 Existing Shares to 10,000 New Shares with effect from Wednesday, 17 March 2021.

Based on the closing price of HK\$0.042 per Existing Share (equivalent to the theoretical closing price of HK\$0.420 per New Share) as quoted on the Stock Exchange as at the Latest Practicable Date, the value of each existing board lot of 2,000 Existing Shares is HK\$84 and the theoretical value for each new board lot of 10,000 New Shares, assuming the Share Reorganisation has become effective, would be HK\$4,200.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

REASONS FOR THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, pursuant to the requirements set out in “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by Hong Kong Exchanges and Clearing Limited, the expected board lot value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the Shares had been traded below HK\$0.10 on average and the Shares were trading at under HK\$2,000 per board lot over the past six months (based on the closing price per Share as quoted on the Stock Exchange), the Board proposes to implement the Share Consolidation and the Change in Board Lot Size in order to comply with the trading requirements of the Listing Rules. The Share Consolidation will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares. The Change in Board Lot Size upon effective of the Capital Reorganisation is also expected to result in the market value of each board lot of the Shares of HK\$4,200 as detailed in the paragraph headed “CHANGE IN BOARD LOT SIZE” above as well as to reduce transaction and handling costs for dealing in the Shares, including those fees which are charged with reference to the number of board lots.

Meanwhile, the Capital Reorganisation also involves the Capital Reduction which will reduce the par value of the issued Consolidated Shares from HK\$2.00 per Consolidated Share to HK\$0.01 per New Share. Under the laws of Bermuda, a company may not issue shares at a discount to the par value of such shares. Accordingly, the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future.

LETTER FROM THE BOARD

The Board considers that (i) the Share Consolidation and the Change in Board Lot Size will reduce the transaction costs for dealing in the Shares, including those fees which are charged with reference to the number of board lots; (ii) the Capital Reorganisation will provide the Company with greater flexibility in possible fundraisings in the future given the Existing Shares were trading below their par value recently; (iii) the Capital Reorganisation will accommodate the issue of the Conversion Shares; and (iv) the credit in the contributed surplus account of the Company arising from the Capital Reduction, which will be used by the Board in any manner as the Board may deem fit as may be permitted under the applicable laws and the Bye-laws.

As such, the Board is of the view that the Capital Reorganisation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

As disclosed in the interim report of the Company for the six months ended 30 September 2020, the Group had current assets of approximately HK\$56.5 million as at 30 September 2020 which mainly comprised (i) trade and other receivables of approximately HK\$48.7 million; and (ii) cash and cash equivalents of approximately HK\$3.7 million. However, the Group had current liabilities of approximately HK\$137.8 million as at 30 September 2020 which mainly comprised (i) other borrowings of approximately HK\$96.0 million (including loan from the Subscriber of approximately HK\$66.8 million; and (ii) matured interest free convertible bond in the principal amount of HK\$30 million (the “**Matured CB**”). As a result, the Group recorded net current liabilities of approximately HK\$81.3 million as at 30 September 2020.

Regarding the Matured CB, pursuant to the deed of settlement (the “**Deed**”) approved by the Shareholders at the special general meeting held on 19 June 2018 (Details were disclosed in the circular of the Company dated 31 May 2018), Mr. Ng, the Chairman and Chief Executive Officer of the Company and a substantial Shareholder, has provided personal guarantee to guarantee all payment of the Company’s payment obligations under the Deed in favour of the bond holders. As at the Latest Practicable Date, the Company is in negotiation with the bond holders on the repayment schedule of the Matured CB, and if it fails, the Company will exercise its right to request Mr. Ng to fulfill his obligation under his personal guarantee when necessary.

Regarding the remaining current liabilities of the Company, as disclosed in the section headed “**MATERIAL ADVERSE CHANGE**” in Appendix II to this circular, although the Gaming Table Business has been interrupted since April 2020 due to the Temporary Closure Demand and the decision by Lion King Entertainment Company Limited, the assignor of the Gaming Table Business Rights to the Group, to relocate the Casino to the New Casino, as notified by the assignor, it is expected that the New Casino shall be re-opened by end of January 2021 and the Company is actively working on the arrangement with the assignor on the resumption of the Gaming Table Business at the New Casino. It is expected that the Gaming Table Business can be resumed by the first quarter of 2021. In this regard, the Company plans to settle any remaining current liabilities of the Company from the operating cash inflow of the Gaming Table Business upon resumption and other gaming business conducted by the Group in Cambodia.

LETTER FROM THE BOARD

As it is expected that a large portion of the existing internal resources and operating cash inflow from the Group's principal business activities for at least the next twelve months from the resumption of the Gaming Table Business will be utilized to settle the current liabilities of the Group, therefore, the Company may not have sufficient internal resources to meet its general working capital requirement.

The purpose for the Capital Reorganisation is to get well prepared for subsequent potential capital fundraising when opportunity arises. As such, the Company will proceed with the Capital Reorganisation even if the Subscription cannot be proceeded for whatever reasons.

The Company is currently in preliminary internal discussion on the feasibility in conducting a cost and time effective equity fundraising activity for the purpose of, among other things, supplement general working capital of the Group to support its daily operation. The Company intends to conduct any such equity fundraising activities by utilizing existing general mandate of the Company. However, as at the Latest Practicable Date, the Company does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

Conditions of the Capital Reorganisation

The Capital Reorganisation (which will be effected in accordance with the Bye-laws and the Companies Act) is conditional upon:

- (i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at the SGM;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation and, if required, the New Shares which may fall to be allotted and issued upon exercise of the share options to be granted under the share option scheme of the Company and upon exercise of the Conversion Rights;
- (iii) the compliance with the relevant procedures and requirements under the laws of Bermuda, which includes publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act and the Directors being satisfied that on the date the Capital Reorganisation is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due, and the Listing Rules to effect the Capital Reorganisation; and
- (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

LETTER FROM THE BOARD

Listing and dealings

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation and the New Shares which may fall to be allotted and issued upon exercise of the share options to be granted under the Share Option Scheme of the Company and upon exercise of the Conversion Rights.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other. All necessary arrangements will be made for the New Shares to be admitted into CCASS.

Fractional shares

Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional Consolidated Shares to which the Shareholders are entitled shall be aggregated and sold for the benefit of the Company.

Free exchange of share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may from Wednesday, 3 March 2021 to Tuesday, 13 April 2021 submit share certificates of the Existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in exchange, at the expense of the Company, for new share certificates of New Shares. Thereafter, share certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate of the Existing Shares cancelled or each new share certificate issued for the New Shares, whichever number of certificates cancelled/issued is higher. The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Friday, 9 April 2021 (or such other date which may be announced by the Company) and will continue to be good evidence of legal title and may be exchanged for share certificates of the New Shares at any time in accordance with the foregoing.

The new share certificates of the New Shares will be issued in green in order to distinguish them from the existing blue colour.

LETTER FROM THE BOARD

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed One China Securities Limited to provide a matching service, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Wednesday, 17 March 2021 to 4:00 p.m. on Friday, 9 April 2021 (both dates inclusive). The Shareholders who wish to use this matching service should contact Ms. Carmen Wong of One China Securities Limited at 2/F, Cheong K. Building, 86 Des Voeux Road Central, Central, Hong Kong or at the telephone number (852) 3188 2676 during office hours of such period. Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. The Shareholders who are in any doubt about the odd lot arrangement are recommended to consult their own professional advisers.

Adjustments in Relation to Other Securities of the Company

As at the Latest Practicable Date, the Company had outstanding share options entitling the holders thereof to subscribe for a total of 66,182,215 Existing Shares (the “Options”). Immediately upon the Capital Reorganisation becoming effective (assuming no other adjustment events under the terms and conditions of the Share Option Scheme having been triggered) and pursuant to (i) the terms and conditions of the Share Option Scheme; and (ii) Chapter 17 of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustments to the exercise price and number of share options under the Listing Rules, the exercise prices of the Options and the number of New Shares which may fall to be issued upon exercise of the Options will be adjusted in the following manner with effect from the effective date of the Capital Reorganisation:

			As at the Latest Practicable Date Number of Existing Shares to be issued upon exercise of the Options	Exercise price per Existing Share (HK\$)	Immediately after the Capital Reorganisation Number of New Shares to be issued upon exercise of the Options	Exercise price per New Share (HK\$)
	Date of Grant (day/month/year)	Exercise period (day/month/year)				
Directors	05/02/2013	05/02/2013- 04/02/2023	744,780	1.241	74,478	12.41
	03/03/2014	03/03/2014- 02/03/2024	1,241,300	1.345	124,130	13.45
	10/03/2015	10/03/2015- 09/03/2025	993,040	0.701	99,304	7.01

LETTER FROM THE BOARD

			As at the Latest Practicable Date		Immediately after the Capital Reorganisation	
	Date of Grant (day/month/year)	Exercise period (day/month/year)	Number of Existing Shares to be issued upon exercise of the Options	Exercise price per Existing Share (HK\$)	Number of New Shares to be issued upon exercise of the Options	Exercise price per New Share (HK\$)
	25/04/2016	25/04/2016- 24/04/2026	993,040	0.370	99,304	3.70
	01/12/2017	01/12/2017- 30/11/2027	14,030,000	0.280	1,403,000	2.80
	17/12/2018	17/12/2018- 16/12/2028	3,050,000	0.200	305,000	2.00
Eligible employees	05/02/2013	05/02/2013- 04/02/2023	1,551,625	1.241	155,162	12.41
	03/03/2014	03/03/2014- 02/03/2024	2,358,470	1.345	235,847	13.45
	10/03/2015	10/03/2015- 09/03/2025	2,606,730	0.701	260,673	7.01
	25/04/2016	25/04/2016- 24/04/2026	1,606,730	0.370	160,673	3.70
	01/12/2017	01/12/2017- 30/11/2027	6,200,000	0.280	620,000	2.80
	17/12/2018	17/12/2018- 16/12/2028	10,500,000	0.200	1,050,000	2.00
Service providers	05/02/2013	05/02/2013- 04/02/2023	2,482,600	1.241	248,260	12.41
	03/03/2014	03/03/2014- 02/03/2024	2,482,600	1.345	248,260	13.45
	10/03/2015	10/03/2015- 09/03/2025	1,241,300	0.701	124,130	7.01
	01/12/2017	01/12/2017- 30/11/2027	6,100,000	0.280	610,000	2.80
	17/12/2018	17/12/2018- 16/12/2028	8,000,000	0.200	800,000	2.00
			66,182,215		6,618,221	

The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

LETTER FROM THE BOARD

Save as disclosed above, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as at the Latest Practicable Date.

SUBSCRIPTION OF THE CONVERTIBLE BOND

On 30 December 2020, the Company entered into the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement dated 15 January 2021) with the Subscriber, pursuant to which, the Subscriber has conditionally agreed to subscribe and the Company has conditionally agreed to issue the Convertible Bond in the principal amount of HK\$50,000,000.

The principal terms of the Subscription Agreement are set out below.

Subscription Agreement

Date: 30 December 2020 (as supplemented by the Supplemental Subscription Agreement dated 15 January 2021)

Parties: The Company, as issuer
The Subscriber, as subscriber

As at the Latest Practicable Date, the Subscriber is an executive Director, the Chairman and Chief Executive Officer of the Company and together with his controlled corporation namely, East Legend, holds 358,721,959 Existing Shares in aggregate, representing approximately 27.97% of the existing number of issued Shares. Accordingly, the Subscriber is also a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules.

Subject

As at the date of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Company was indebted to the Subscriber a total of HK\$71,271,758 which was interest free, unsecured and has no fix repayment term. Natures of the Indebted Amount comprises (i) settlement of the Company's matured promissory notes and other borrowings in the aggregate amount of HK\$44,750,000 on behalf of the Company; and (ii) cash advances made to the Company in an aggregate amount of HK\$26,521,758 since 2018 to support the Company's working capital requirement.

LETTER FROM THE BOARD

Details of the actual use of the Indebted Amount by the Company are as follow:

	Amount <i>Approx. HK\$'000</i>
Actual usage	
Settlement of initial payment pursuant to the Settlement Proposal	5,500
Settlement of promissory notes issued by the Company pursuant to terms and conditions of the Settlement Proposal	22,000
Settlement of other borrowings	17,250
Operating expenses including staff costs, rental expenses and general administrative expenses, etc	8,382
Legal and professional fees	15,140
Unutilised	3,000
	<hr/>
Total	<u>71,272</u>

Given the continuous loss-making position of the Company, the Company could hardly obtain debt financing from banks or financial institutions. In addition, according to the Companies Act, the Company shall not issue shares at a price below its par value. Given the share prices of the Company has been trading substantially below par value since late 2018, the Board found it difficult to negotiate with any potential investors and financial institutions on possible subscription, offer or placing of the Existing Shares at or above the par value to strengthen the financial position of the Company. Without other alternative, the Company could only negotiate and obtain support from the Subscriber for funding to satisfy the general working capital requirement of the Company and to meet repayment obligations of the Group's external debt.

Not only relying on the financial assistance provided by the Subscriber, the Company has also been putting effort on, in particular, (i) debt restructuring of the Company; (ii) review and restructuring the Company's existing businesses; and (iii) exploring new business opportunities such as gaming business in Cambodia, in order to turnaround the business performance and financial position of the Group. The Company originally planned to repay the advances provided by the Subscriber gradually after the commencement of the Gaming Table Business. However, the Gaming Table Business has been interrupted since April 2020 due to the Temporary Closure Demand and the decision by Lion King Entertainment Company Limited, the assignor of the Gaming Table Business Rights to the Group, to relocate the Casino to the New Casino. In this regard and as disclosed in the Company's annual report for the year ended 31 March 2020, the Subscriber has undertaken to the Company that he will not call for repayment of loan until 29 June 2021.

LETTER FROM THE BOARD

Given that the above-mentioned undertaking given by the Subscriber will expire on 29 June 2021 and there exist uncertainties on the continuous development of the COVID-19 Epidemic and the pace of recovery of the Cambodia economy which may have further impact to the business performance of the Gaming Table Business upon resumption in the short term, the Company may not in a position to repay the Indebted Amount upon expiry of the undertaking given by the Subscriber.

In light of the above, the Company has been negotiating with the Subscriber on the repayment of the Indebted Amount and the Subscription was a result upon commercial negotiation among the parties to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement).

Pursuant to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bond in the principal amount of HK\$50,000,000. The subscription amount payable by the Subscriber under the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) shall be satisfied by releasing the payment obligation of HK\$50,000,000 of the Company against the Indebted Amount. Pursuant to the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), upon completion, the Company shall issue the Convertible Bond to the Subscriber and the remaining balance of HK\$21,271,758 is payable to the Subscriber.

Regarding the remaining balance of the Indebted Amount of HK\$21,271,758, the Company plans to repay to the Subscriber from operating cash inflow generated from the gaming business of the Company in Cambodia gradually.

Conditions precedent

Completion of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) is conditional upon:–

- (a) the completion of the Deed of Settlement;
- (b) the written confirmation letter provided by the Company to the Subscriber, confirming the representations, warranties and undertaking given by the Company in the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) remaining true, correct and not misleading in all material respects as at the Completion Date;
- (c) the certified true copy or original of the executed Convertible Bond instrument, the certificate of the Convertible Bond, the certified true copy of the updated register of bondholders and other relevant documents were delivered to the Subscriber by the Company;

LETTER FROM THE BOARD

- (d) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the New Shares arising from the implementation of the Capital Reorganisation and the Conversion Shares to be issued upon exercise of the Conversion Rights pursuant to the Convertible Bond and such grant remaining in full force and effect;
- (e) all necessary consents, approvals (or waivers), authorisation, permission or exemption from any third parties, including but not limited to government or regulatory authorities, having been obtained by the Company in connection with the Capital Reorganisation and the Subscription and the issue of the Convertible Bond and the Conversion Shares upon exercise of the Conversion Rights and such consents, approvals (or waivers), authorisation, permission or exemption remaining in full force and effect;
- (f) the compliance by the Company with all legal and other requirements under the Listing Rules and the laws of Bermuda applicable to the Capital Reorganisation and the transactions contemplated under the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement); and
- (g) the passing of the requisite respective resolutions by the Board and the Shareholders at the SGM (other than those persons who are precluded from voting under the Listing Rules) approving, inter alia, the Capital Reorganisation and the transactions contemplated under the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) (including but not limited to the issue of the Convertible Bond and the allotment and issue of Conversion Shares upon exercise of the respective Conversion Rights).

All conditions above are non-waivable except that conditions (b) and (c) above are waivable at the discretion of the Subscriber. As at the Latest Practicable Date, none of the above conditions have been fulfilled or waived.

In the event that the conditions of the Subscription are not fulfilled by 3:00 p.m. on or before 31 March 2021 or such other time and date as may be agreed between the parties to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other save for any antecedent breaches of the terms thereof.

Completion

Completion of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) shall take place on the Completion Date (or such other date as may be agreed between the respective parties).

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE CONVERTIBLE BOND

Principal amount	HK\$50,000,000
Maturity	18 month from the date of issue of the Convertible Bond
Interest rate	the Convertible Bond will be interest free
Denomination for conversion	With a minimum aggregate amount of HK\$1,000,000 and authorised denominations(s) integral multiples thereof save that if at any time the aggregate outstanding principal amount held by a holder of the Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of such aggregate outstanding principal amount may be converted.
Conversion rights	A holder of the Convertible Bond shall have the right to convert in whole or in part (in an integral multiple of HK\$1,000,000) of the Convertible Bond into Conversion Shares at the Conversion Price (subject to adjustments) on any Business Day from the date of issue of the Convertible Bond and up to the maturity date of the Convertible Bond, subject to the restrictions on the exercise of the Conversion Rights as set out below.
Conversion price	<p>Initially, HK\$0.50 per New Share (equivalent to HK\$0.05 per Existing Share as adjusted for the effect of the Capital Reorganisation), subject to adjustments.</p> <p>The Conversion Price shall be adjusted as provided in the Convertible Bond instrument in each of the following cases:</p> <ul style="list-style-type: none">(i) an alteration of the number of the Shares by reason of any consolidation or subdivision;

LETTER FROM THE BOARD

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A is the revised nominal amount; and

B is the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the date on which the consolidation or sub-division becomes effective.

- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or, if any, capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{D}$$

where:

C is the aggregate nominal amount of the issued Shares immediately before such issue; and

D is the aggregate nominal amount of the issued Shares immediately after such issue.

LETTER FROM THE BOARD

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

- (iii) a capital distribution (as defined in the Convertible Bond instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;

If and whenever the Company shall make any capital distribution to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E - F}{B}$$

where:

E is the Market Price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding the date of the capital distribution or, as the case may be, of the grant; and

F is the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by a financial adviser or auditors of the Company for the time being, of the portion of the capital distribution or of such rights which is attributable to one Share;

Provided that:

LETTER FROM THE BOARD

- (a) if in the opinion of the relevant financial adviser or auditors of the Company (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine, and in such event the above formula shall be construed as if F meant the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and
- (b) the provisions as aforesaid shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the capital distribution or grant.

- (iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares;

If and whenever the Company shall after the date hereof offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options, warrants or other rights to subscribe for or purchase any Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$G + \frac{H \times I}{J}$$

$$G + H$$

where:

G is the number of Shares in issue immediately before the date of such announcement;

H is the aggregate number of Shares so offered for subscription;

LETTER FROM THE BOARD

I is the amount (if any) payable for the rights, options or warrants or other rights to subscribe for each new Share, plus the subscription price payable for each new Share; and

J is the closing price per Share on the last trading day on which the Shares are traded on cum-rights basis.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer.

- (v) an issue being made by the Company of securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined below) initially receivable for such securities is less than 80% of the market price;
 - (a) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined below) initially receivable for such securities is less than 80% of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

LETTER FROM THE BOARD

- (b) If and whenever the rights of conversion or exchange or subscription attached to any such securities as foreshaid are modified so that the total effective consideration per Share initially receivable for such securities shall be less than 80% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this sub-paragraph (v), the “total effective consideration” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the effective consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

LETTER FROM THE BOARD

- (vi) an issue being made by the Company of Shares at a price which is less than 80% of the market price; and

If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

- (vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined below) less than 80% of the market price.

If and whenever the Company shall issue Shares for the acquisition of asset at a total effective consideration per Share (as defined below) which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying it by a fraction of which the numerator shall be the total effective consideration per Share and the denominator shall be such market price. Each such adjustment shall be effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding the date on which the Company determines the issue price for such Shares.

LETTER FROM THE BOARD

For the purpose of this sub-paragraph (vii) “total effective consideration” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “total effective consideration per Share” shall be the total effective consideration divided by the number of Shares issued as aforesaid.

Transferability

Freely transferrable, in whole or any part of the outstanding principal amount, to any person, subject to the terms of the Convertible Bond (as the case may be), the Listing Rules and all applicable laws and regulations. If the Convertible Bond is transferred to a “connected person” (as defined in the Listing Rules) of the Company or its associate(s) (as defined in the Listing Rules), the Company shall immediately notify the Stock Exchange and all such transfer shall be made subject to having obtained the written consent from the Company and prior approval of the Stock Exchange (if necessary) and full compliance with the Listing Rules. The Convertible Bond instrument which governs the terms and conditions of the Convertible Bond shall be binding on the Company and any holders of the Convertible Bond.

Listing

No application will be made for the listing of the Convertible Bond on the Stock Exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights.

Ranking

The Conversion Shares to be issued upon the exercise of the Conversion Rights will be credited as fully paid and will rank pari passu in all respects among themselves and with other existing Shares outstanding at the date of issue of the Conversion Shares and be entitled to all dividends and other distributions the record date for which falls on a date on or after the date of their issue.

Voting

A holder of the Convertible Bond will not be entitled to receive notices of, attend or vote at any Shareholders’ meetings of the Company by reason only of it being a holder of the Convertible Bond.

LETTER FROM THE BOARD

Redemption and repurchase

The Company shall redeem at 100% of the outstanding principal amount of the Convertible Bond (as the case may be) on the maturity date.

The Company shall have the right to redeem in whole or any part(s) of the principal amount of the Convertible Bond, with an aggregate amount of HK\$1,000,000 and authorised denominations(s) integral multiples thereof (if at any time the aggregate outstanding principal amount held by a holder of the Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of such aggregate outstanding principal amount may be redeemed), at any time on any business day prior to the maturity date by giving prior notice of not less than thirty (30) days in writing to the holder of the Convertible Bond. The Convertible Bond(s) or any part thereof so redeemed shall forthwith be cancelled by the Company.

Status

The obligations of the Company arising under the Convertible Bond constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws.

Restriction on the exercise of the Conversion Rights

The holder(s) of the Convertible Bond agree and undertake to the Company that it shall not exercise any of the Conversion Rights if (i) the holder(s) of the Convertible Bond and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the holder(s) would be obliged to make a general offer under the Takeovers Code unless (a) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (b) a general offer is made in accordance with the requirement of the Takeovers Code; (ii) the Company will be unable to meet the public float requirements under the Listing Rules; or (iii) the holder(s) of the Convertible Bond or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations.

LETTER FROM THE BOARD

Assuming full conversion of the principal amount of the Convertible Bond of HK\$50,000,000 at the initial Conversion Price, a total of maximum 100,000,000 New Shares (assuming the Capital Reorganisation has become effective) with aggregate nominal value of HK\$1,000,000 will be issued, representing approximately 78.0% of the total existing issued share capital of the Company (taking into account the effect of the Capital Reorganisation) and approximately 43.8% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares (taking into account the effect of the Capital Reorganisation).

Investors shall note that the conversion of the Convertible Bond is subject to the conversion restrictions under the Convertible Bond as set out above.

Conversion Price

The Conversion Price, being HK\$0.50 per New Share (equivalent to HK\$0.05 per Existing Share as adjusted for the effect of the Capital Reorganisation), represents:

- (i) a premium of approximately 8.7% over the adjusted closing price of HK\$0.460 per New Share (based on the closing price of HK\$0.0460 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (ii) a premium of approximately 2.9% over the adjusted average closing price of approximately HK\$0.486 per New Share (based on the average closing price of approximately HK\$0.0486 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (iii) a premium of approximately 2.5% to the adjusted average closing price of approximately HK\$0.488 per New Share (based on the average closing price of HK\$0.0488 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (iv) a premium of approximately 19.0% to the adjusted closing price of HK\$0.420 per New Share (based on the closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation); and
- (v) a premium of approximately 1,566.7% to the adjusted unaudited consolidated net assets attributable to owners of the Company of approximately HK\$0.030 per New Share as at 30 September 2020 (the "Adjusted NAV per New Share").

LETTER FROM THE BOARD

The Conversion Price was arrived at after arm's length negotiation between the Company and the Subscriber after taking into account the prevailing market price of the Shares, the operation and financial performance of the Group, the current market conditions and the consolidated net current liabilities position of the Company as at 30 September 2020.

Given the Conversion Price represents slight premium over the market prices of the Share as above-mentioned and a premium over the Adjusted NAV per New Share, the Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders.

THE DEED OF SETTLEMENT

As one of the conditions to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Company and the Subscriber shall execute the Deed of Settlement prior to completion. Pursuant to the terms of the Deed of Settlement, part of the Indebted Amount in the sum of HK\$50,000,000 shall be settled by the Company upon issue of the Convertible Bond to the Subscriber.

Completion of the Deed of Settlement is conditional upon:-

- (a) the passing of the requisite respective resolutions by the Board and the Shareholders at the SGM (other than those persons who are precluded from voting under the Listing Rules) approving, inter alia, the Capital Reorganisation and the transactions contemplated under the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) (including but not limited to the issue of the Convertible Bond and the allotment and issue of Conversion Shares upon exercise of the respective Conversion Rights); and
- (b) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the New Shares arising from the implementation of the Capital Reorganisation and the Conversion Shares to be issued upon exercise of the Conversion Rights pursuant to the Convertible Bond and such grant remaining in full force and effect.

Completion of the Deed of Settlement shall take place on the seventh (7) Business Days upon the above-mentioned conditions having been completed.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The principal activities of the Company are engaging in the gaming business in Asia Pacific and the development of innovative intellectual properties and technological solutions in connection with AR/VR applications to clients.

LETTER FROM THE BOARD

As stated in the interim report of the Company for the six months ended 30 September 2020, the Group recorded revenue of approximately HK\$2.7 million for the six months ended 30 September 2020, which was mainly generated from AR/VR applications service income, and the Group recorded unaudited net assets of approximately HK\$4.0 million as at 30 September 2020. The cash and cash equivalents balance of the Group was approximately HK\$3.7 million and the Group recorded net current liabilities of approximately HK\$81.3 million as at 30 September 2020.

Taking into account, among other things, the financial position and expected operating cash flow to be generated by the Group, and given the prevailing market prices and trading volume of the Shares as well as the net current liabilities position of the Group, it may not be favourable to have a fundraising exercise for substantial amount by way of issue of new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required. After the Company's enquiry of certain brokerage houses with no favourable responses, the Company has decided to negotiate with the Subscriber on the proposed settlement plan of the Indebted Amount. As a result of the negotiations, the Company and the Subscriber agreed to settle part of the Indebted Amount principally through the entering into the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement).

The part of the Indebted Amount, being HK\$50,000,000, will be settled through the issue of the Convertible Bond on the Completion Date. Accordingly, no immediate cash outflow will be incurred in the partial settlement of the Indebted Amount.

As disclosed in the Company's annual report for the year ended 31 March 2020, the Subscriber has only undertaken to the Company that he will not demand for repayment on loan due by the Company to him until 29 June 2021, meaning there exists a possibility that the Subscriber can demand for repayment of the Indebted Amount any time after 29 June 2021. And it is uncertain whether the Company could re-negotiate with the Subscriber on providing further undertaking to the Company not to demand for repayment of the Indebted Amount as well as whether the term of the Indebted Amount will still be interest free. In this regard, the issue of the fixed term Convertible Bond before the expiry of the undertaking given by the Subscriber would definitely avoid the above-mentioned uncertainties and therefore, it is in the interest of the Company and the Shareholders as a whole.

The Company is aware that the 18-month Convertible Bond could only improve the Company's gearing ratio for a short frame of time in the event that the Subscriber does not exercise the Conversion Right under the Convertible Bond. However, as the Company intends to explore a general mandate fundraising activity upon effective of the Capital Reorganisation, the fixed term Convertible Bond would immediately improve the Company's gearing ratio which would definitely have positive effect to the successfulness of any intended fundraising activity(ies) by the Company. In addition, the Subscription also showed the support from the Subscriber to the Company by avoiding any uncertainties on the Indebted Amount which may arise upon expiry of the undertaking provided by the Subscriber, and may also bring positive impact to the Company in case any fundraising opportunity arise in future.

LETTER FROM THE BOARD

In the event the Subscriber does not exercise the Conversion Right under the Convertible Bond by the maturity date, the Company will first re-negotiate with the Subscriber on any possible arrangement to further extend the repayment period including but not limited to extension of the Convertible Bond in full or in part. If it fails, the Company will try its best endeavor to re-negotiate with the Subscriber on a repayment schedule. The Company may, subject to the then market condition, explore any possibility in conducting equity fundraising activities to settle the amount due to the Subscriber in this regard.

According to the shareholding table of the Company as shown under the section headed "Shareholding structure of the Company" in this circular, assuming there is no other change in the issued share capital and shareholding structure of the Company other than the Capital Reorganisation and conversion of the Convertible Bond, the shareholding in the Company held by existing public Shareholders would be diluted from approximately 51.31% as at the Latest Practicable Date to approximately 28.83% immediately after the Capital Reorganisation and full conversion of the Convertible Bond. Notwithstanding the potential effect which may arise from the conversion of the Convertible Bond, having considered (i) the deteriorating financial position of the Group; (ii) the difficulties faced by the Company in pursuing other financing alternatives; (iii) the Subscription will not result in an immediate cash outflow for the Group and will immediately improve the net current liability position of the Group; (iv) the financial position of the Group will be improved upon conversion of the Convertible Bond; (v) the terms of the Subscription (including the issue of the Convertible Bond) are fair and reasonable, in particular, the conversion of the Convertible Bond is subject to the minimum public float requirement under the Listing Rules and the mandatory offer obligation of the Takeovers Code or the capability to obtain the whitewash waiver, the Directors are of the view that the abovementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable and the benefits of the Subscription outweigh its potential dilution effect.

After taking into account that: (i) the partial settlement of the Indebted Amount will not exert immediate cash outflow burden on the Group; (ii) no interest will be charged under the Convertible Bond; (iii) the Subscription will secure the continuing financial support from the Subscriber to the Group's business development and operation; and (iv) upon conversion of the Convertible Bond, the financial position of the Group would be improved, the Company considers that the issue of the Convertible Bond is an appropriate debt restructuring plan for the Company.

In view of the above, the Board (excluding Mr. Ng Man Sun and Ms. Ng Wai Yee who had abstained from voting at the Board resolutions approving the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the transactions contemplated thereunder) considers that the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) are on normal commercial terms and fair and reasonable, and the transactions contemplated under the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Shareholders and potential investors should note that in the event the Subscription fails due to whatever reasons, the Company will be obliged to repay the Indebted Amount whenever the Subscriber desires to demand for repayment after 29 June 2021. In this regard, the Company will need to re-negotiate with the Subscriber on any possibility to agree with a delayed repayment arrangement of the Indebted Amount. However, it will be uncertain as to whether the Company could succeed in doing so or whether the Company could still be able to maintain the existing terms. This may result in the Company incurring interest expenses or be required to pledge its assets which may not be as favourable as the Subscription.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, save as the outstanding share options mentioned above, there are no other outstanding options, warrants, derivatives, or other securities which carry rights to subscribe for or be converted into Shares.

The table below illustrates the shareholding structures of the Company as at the Latest Practicable Date and immediately upon Capital Reorganisation becoming effective and full conversion of the Convertible Bond of HK\$50,000,000 at the Conversion Price (assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the occurrence of the relevant events mentioned below):

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation		Immediately after issue and full conversion of Convertible Bond into Conversion Shares	
	No. of Share	%	No. of Share	%	No. of Share	%
Mr. Ng Man Sun (<i>Note 1</i>)	358,721,959	27.97	35,872,196	27.97	135,872,196	59.53
					<i>(Note 2)</i>	
Ms. Cheng Wai Man	96,212,121	7.50	9,621,212	7.50	9,621,212	4.22
Mr. Huang Wei Qiang	86,900,000	6.78	8,690,000	6.78	8,690,000	3.80
Mr. Wong Kam Wah	82,542,121	6.44	8,254,212	6.44	8,254,212	3.62
Public	658,099,413	51.31	65,809,941	51.31	65,809,941	28.83
	1,282,475,614	100.00	128,247,561	100.00	228,247,561	100.00

Note:

- Mr. Ng Man Sun is the substantial shareholder, executive Director, Chairman and Chief Executive Officer of the Company.
- Conversion of convertible Bond shall subject to the “Restriction on the exercise of the Conversion Right” set out on p. 32 of this circular.

LETTER FROM THE BOARD

FUNDRAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted any fundraising activities in the 12 months prior to the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber and his close associates in aggregate holds 358,721,959 Existing Shares, representing approximately 27.97% of the existing number of issued Shares. As a substantial Shareholder, the Subscriber is a connected person of the Company and the Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Conversion Shares to be allotted and issued upon exercise of the Conversion Rights pursuant to the Convertible Bond are proposed to be issued pursuant to a specific mandate to be granted by the Independent Shareholders by way of poll at the SGM.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares. Upon completion of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), an announcement regarding the principal amount of the Convertible Bond and the number of Conversion Shares (based on the initial Conversion Price) issuable thereunder will be made by the Company.

THE AMENDMENTS TO THE BYE-LAWS

In order to bring the provisions set out in the Bye-laws in line with the Listing Rules and current requirements of the laws of Bermuda and provide the Company with more flexibility to adapt to changing market practices and needs, the Directors propose to amend the relevant provisions in the Bye-laws to give effect to, among others, the following:

- (1) to allow the Company to use the Company's website and other electronic means to send or make available notices or documents to the Shareholders, subject to compliance with the Listing Rules and applicable laws of Bermuda;
- (2) to provide that an annual general meeting of the Company shall be called by notice of at least 21 clear days and at least 20 clear business days and all other special general meetings shall be called by notice of at least 14 clear days and at least 10 clear business days, but in the case of special general meetings, the Company may convene a general meeting on shorter notice than required, by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together representing at least 95% of the total voting rights at the meeting of all the Shareholders; and
- (3) to allow Directors to fill any vacancy of a resigning auditor or convene a special general meeting to fill the vacancy of the Company's auditor.

LETTER FROM THE BOARD

Details of the Amendments to the Bye-laws are set out in Appendix I to this circular. A special resolution will be proposed at the SGM to approve the Amendments to the Bye-laws.

The legal advisers to the Company as to Hong Kong laws have confirmed that the Amendments to the Bye-laws comply with the requirements of the Listing Rules and the legal advisers to the Company as to Bermuda laws have confirmed that the Amendments to the Bye-laws do not violate the applicable laws of Bermuda.

The Company confirms that there is nothing unusual about the Amendments to the Bye-laws. The Shareholders are advised that the Amendments to the Bye-laws are available only in English and the Chinese translation of the Amendments to the Bye-laws provided in Appendix I of this circular in Chinese is for reference only. In case of any inconsistency, the English version shall prevail.

SGM

A notice convening the SGM to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 1 March 2021 at 11: 00 a.m. is set out on pages SGM-1 to SGM-4 of this circular.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there is (i) no voting trust nor other agreement nor arrangement nor understanding entered into or binding upon any Shareholders; and (ii) no obligation nor entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A proxy form for use at the SGM is enclosed. Whether or not the Shareholders are able to attend the special general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or an adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders on the resolutions to be proposed at the SGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the SGM in manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

As completion of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) are conditional upon satisfaction of the respective conditions set out in the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional advisers.

CLOSURE OF THE REGISTER

In order to determine entitlement of Shareholders to the right to attend and vote at the SGM (or any adjournment thereof), the Register will be closed from Wednesday, 24 February 2021 to Monday, 1 March 2021, both dates inclusive, during which period no transfer of Shares will be effected. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4: 30 p.m. on Tuesday, 23 February 2021.

RECOMMENDATION

The Board considers that the Capital Reorganisation, the Subscription and the Amendments to the Bye-laws are in the interests of the Company and the Shareholders as a whole and therefore recommends that all Shareholders vote in favour of the relevant resolutions to be proposed at the SGM.

GENERAL

Given that Mr. Ng has material interest in the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), Mr. Ng, Ms Ng Wai Yee (being Mr. Ng's daughter) are considered to be interested in the transactions contemplated under the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and have abstained from voting at the Board resolutions approving the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the transactions contemplated thereunder. The Independent Board Committee (comprising all the independent non-executive Directors) has been formed pursuant to the Listing Rules to advise the Independent Shareholders on the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the transactions contemplated thereunder.

In this connection, Rainbow Capital (HK) Limited has been appointed with the approval of the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the transactions contemplated thereunder are fair and reasonable, and to make recommendation(s) on voting.

LETTER FROM THE BOARD

In accordance with the requirements of the Listing Rules, all votes to be taken at the SGM will be by poll. Given that Mr. Ng is considered to have a material interest in the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and Ms. Ng Wai Yee, being an executive Director and daughter of Mr. Ng, is an associate of Mr. Ng, therefore, both Mr. Ng and Ms. Ng Wai Yee are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By order of the Board
Century Entertainment International Holdings Limited
Ng Man Sun
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription which has been prepared for the purpose of inclusion in this circular.



世紀娛樂國際控股有限公司
CENTURY ENTERTAINMENT INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 959)

5 February 2021

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF THE CONVERTIBLE BOND

We refer to the circular (the “**Circular**”) dated 5 February 2021 issued by the Company of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders whether the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares under the Specific Mandate upon conversion of the Convertible Bond) are fair and reasonable so far as the Shareholders are concerned. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are contained in the letter set out on pages 44 to 69 of the Circular.

Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the transactions contemplated thereunder and taking into account the independent advice of Rainbow Capital (HK) Limited, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the transactions contemplated thereunder are on normal commercial terms, the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the entering into of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) by the Company and the transactions contemplated thereunder.

Yours faithfully,

Ms. Yeung Pui Han, Regina

Mr. Li Chi Fai

Ms. Sie Nien Che, Celia

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in relation to the Subscription which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

5 February 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF THE CONVERTIBLE BOND

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 5 February 2021 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 30 December 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement dated 15 January 2021) with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for the Convertible Bond in the principal amount of HK\$50,000,000 for partial settlement of the Indebted Amount, being the amount due from the Company to the Subscriber which is interest free, unsecured and has no fixed repayment term.

As at the Latest Practicable Date, the Subscriber and his controlled corporation, namely East Legend, together held approximately 27.97% of the issued share capital of the Company. In addition, the Subscriber is an executive director, the chairman and the chief executive officer of the Company. Accordingly, the Subscriber is a connected person of the Company and the Subscription constitutes a connected transaction for the Company which is subject to reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. The Conversion Shares to be allotted and issued upon exercise of the Conversion Rights under the Convertible Bond are proposed to be issued pursuant to a specific mandate to be granted by the Independent Shareholders by way of poll at the SGM. An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all independent non-executive Directors, namely Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia, has been formed to advise the Independent Shareholders on whether (i) the Subscription is in the ordinary and usual course of business of the Group; (ii) the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Subscription is in the interests of the Company and the Shareholders as a whole, and as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and the Subscriber that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group and the Subscriber. Accordingly, we are qualified to give independent advice in respect of the Subscription.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) are fair and reasonable in so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background of the Group

The Group is principally engaged in (i) operating the gaming tables in Cambodia; and (ii) development of innovative intellectual properties and technological solutions in connection with augmented reality (“AR”) or virtual reality (“VR”) applications to clients.

Set out below is a summary of the consolidated financial information of the Group for (i) the two years ended 31 March 2020 as extracted from the annual report of the Company for the year ended 31 March 2020 (the “2020 Annual Report”); and (ii) the six months ended 30 September 2020 and 2019 as extracted from the interim report of the Company for the six months ended 30 September 2020 (the “2020 Interim Report”):

(i) Financial performance

	For the year ended 31 March		For the six months ended 30 September	
	2020 HK\$'000 (audited)	2019 HK\$'000 (audited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Continuing operations				
Revenue	45,922	60,988	2,709	21,480
– Gaming and entertainment	43,942	53,841	–	19,500
– AR/VR and mobile games solutions	1,980	7,147	2,709	1,980
Gross profit	23,990	30,505	2,109	7,412
Other income and other gain	322	9,517	15,636	422
Impairment losses on goodwill	(27,504)	–	–	–
Impairment losses on trade and other receivables	(10,392)	(28,500)	–	–
Loss on disposal of interest in an associate	–	(353,530)	–	–
General and administrative expenses	(41,412)	(49,952)	(20,816)	(16,987)
Finance costs	(8,862)	(14,507)	(3,495)	(4,573)
Loss before taxation	(63,858)	(406,623)	(6,566)	(13,726)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended		For the six months	
	31 March		ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
(Loss)/profit attributable to the Shareholders	(39,219)	(418,039)	(6,168)	(14,663)
– From continuing operations	(63,088)	(406,204)	(6,168)	(13,360)
– From discontinued operation	23,869	(11,835)	–	(1,303)
Net cash used in operating activities	(10,074)	(8,737)	(8,021)	(18,902)

(a) *For the year ended 31 March 2020 and 2019*

For the year ended 31 March 2020, revenue of the Group was approximately HK\$45.9 million, representing a decrease of approximately 24.7% from approximately HK\$61.0 million for the year ended 31 March 2019. Such decrease was primarily attributable to the decrease in revenue generated from the gaming and entertainment business from approximately HK\$53.8 million for the year ended 31 March 2019 to approximately HK\$43.9 million for the year ended 31 March 2020 as a result of the spread of COVID-19.

The Group recorded a gross profit of approximately HK\$24.0 million for the year ended 31 March 2020, representing a decrease of approximately 21.4% as compared to approximately HK\$30.5 million for the year ended 31 March 2019, which was in line with the decrease in revenue.

Loss attributable to the Shareholders decreased significantly from approximately HK\$418.0 million for the year ended 31 March 2019 to approximately HK\$39.2 million for the year ended 31 March 2020. Such decrease was mainly due to, among other things, (1) the loss on disposal of interest in an associate of approximately HK\$353.5 million for the year ended 31 March 2019 which was not replicated for the year ended 31 March 2020; (2) the decrease in impairment losses on trade and other receivables of approximately HK\$18.1 million; (3) the decrease in general and administrative expenses of approximately HK\$8.5 million; and (4) the decrease in finance costs of approximately HK\$5.6 million. This was partially offset by (1) the decrease in gross profit of approximately HK\$6.5 million; (2) the decrease in other income of approximately HK\$9.2 million; and (3) the impairment losses on goodwill of approximately HK\$27.5 million for the year ended 31 March 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As a result of the foregoing, loss from continuing operations attributable to the Shareholders decreased significantly from approximately HK\$406.2 million for the year ended 31 March 2019 to approximately HK\$63.1 million for the year ended 31 March 2020. Notwithstanding the decrease in loss, the Group recorded an increase in net cash used in operating activities from approximately HK\$8.7 million for the year ended 31 March 2019 to approximately HK\$10.1 million for the year ended 31 March 2020.

(b) For the six months ended 30 September 2020 and 2019

For the six months ended 30 September 2020, revenue of the Group amounted to approximately HK\$2.7 million, representing a decrease of approximately 87.4% from approximately HK\$21.5 million for the six months ended 30 September 2019. Such decrease was primarily attributable to the decrease in revenue generated from the gaming and entertainment business as a result of the spread of COVID-19 and the temporary closure of all casinos in Cambodia (the “**Temporary Closure**”) since 1 April 2020 as part of the measures to prevent the spread of COVID-19, affecting the VIP room gaming business which was terminated from 1 June 2020 as well as the gaming table business.

As a result of the decrease in revenue, the gross profit of the Group decreased by approximately 71.5% from approximately HK\$7.4 million for the six months ended 30 September 2019 to approximately HK\$2.1 million for the six months ended 30 September 2020.

Loss attributable to the Shareholders decreased significantly from approximately HK\$14.7 million for the six months ended 30 September 2019 to approximately HK\$6.2 million for the six months ended 30 September 2020. Such decrease was mainly due to the increase in other income and other gain of approximately HK\$15.2 million caused by the fair value gain on promissory notes of approximately HK\$11.0 million and the consultancy fee income of approximately HK\$4.0 million for provision of technical and pre-opening services in relation to a casino operated by the third-party hotel operator for the six months ended 30 September 2020. This was partially offset by the decrease in gross profit and the increase in general and administrative expenses of approximately HK\$3.8 million.

As a result of the foregoing, loss from continuing operations attributable to the Shareholders decreased significantly from approximately HK\$13.4 million for the six months ended 30 September 2019 to approximately HK\$6.2 million for the six months ended 30 September 2020. The Group recorded a net cash used in operating activities of approximately HK\$8.0 million for the six months ended 30 September 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the section headed “6. Material Adverse Change” in Appendix II to the Circular, given the Temporary Closure and the relocation of the Casino (the “Relocation”) to a new location, the operation of the Casino, including the business rights of four gaming tables located at the mass market gaming area in the Casino assigned by Lion King Entertainment Company Limited to the Group in March 2020, has been temporarily interrupted since April 2020 and up to the Latest Practicable Date. It is expected that the mass market of the Casino can be re-opened by early March 2021.

(ii) Financial position

	As at 30 September 2020	As at 31 March 2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(unaudited)
Non-current assets, including:	90,310	106,414	157,411
– Right-of-use assets	2,430	9,082	–
– Intangible assets	71,041	80,251	106,826
– Goodwill	14,257	14,257	41,761
Current assets, including:	56,472	50,610	43,866
– Trade and other receivables	52,822	47,393	42,665
– Cash and cash equivalents	3,650	3,217	1,201
Current liabilities, including:	137,814	129,231	60,252
– Trade and other payables	8,513	7,467	14,613
– Other borrowings	96,046	84,745	10,385
– Convertible bonds	29,650	27,723	14,410
– Promissory notes	–	–	19,837
Net current liabilities	(81,342)	(78,621)	(16,386)
Non-current liabilities, including:	4,995	17,652	53,692
– Promissory notes	3,371	14,417	26,638
– Deferred tax liabilities	1,624	2,022	2,817
– Convertible bonds	–	–	24,237
Equity attributable to the Shareholders	3,973	10,141	34,360
Total equity	3,973	10,141	87,333
Current ratio	0.41	0.39	0.73
Gearing ratio (Note)	3,594%	1,448%	130%

Note: being total liabilities divided by total equity

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 September 2020, the Group had non-current assets of approximately HK\$90.3 million, representing a decrease of approximately 42.6% from approximately HK\$157.4 million as at 31 March 2019. Such decrease was mainly attributable to (a) the decrease in intangible assets from approximately HK\$106.8 million as at 31 March 2019 to approximately HK\$71.0 million as at 30 September 2020 due to the disposal of the mobile apps business in October 2019; and (b) the decrease in goodwill from approximately HK\$41.8 million as at 31 March 2019 to approximately HK\$14.3 million as at 30 September 2020 due to the impairment loss of approximately HK\$27.5 million in relation to the AR/VR and mobile games solutions segment for the year ended 31 March 2020.

As at 30 September 2020, current assets of the Group, primarily consisting of trade and other receivables, amounted to approximately HK\$56.5 million, representing an increase of approximately 28.7% from approximately HK\$43.9 million as at 31 March 2019. Current liabilities of the Group increased from approximately HK\$60.3 million as at 31 March 2019 to approximately HK\$137.8 million as at 30 September 2020, primarily attributable to the increase in other borrowings and convertible bonds. Other borrowings as at 30 September 2020 comprised (a) the loan from the Subscriber of approximately HK\$66.8 million which was interest free, unsecured and had no fixed repayment terms; and (b) other loans of approximately HK\$29.2 million which was unsecured with an interest rate of 10% per annum and fell due on 23 January 2020. The convertible bonds as at 30 September 2020 (the “**Matured CB**”) were not interest bearing with a principal amount of HK\$30 million which had already matured on 23 October 2020. As at the Latest Practicable Date, the Subscriber provided personal guarantee to guarantee the repayment of the Matured CB in favour of the bond holders and the Company was in negotiation with the bond holders of the Matured CB on the repayment schedule of the Matured CB. As a result, net current liabilities of the Group increased significantly from approximately HK\$16.4 million as at 31 March 2019 to approximately HK\$81.3 million as at 30 September 2020, with a deterioration of current ratio from approximately 0.73 as at 31 March 2019 to approximately 0.41 as at 30 September 2020, indicating that the Group did not have sufficient liquid assets to cover its short-term liabilities.

Given the continual loss-making position of the Group, the significant decrease in non-current assets and the significant increase in current liabilities as mentioned above, equity attributable to the Shareholders decreased remarkably from approximately HK\$34.4 million as at 31 March 2019 to approximately HK\$4.0 million as at 30 September 2020. The gearing ratio of the Group, being total liabilities divided by total equity, increased significantly from approximately 130% as at 31 March 2019 to approximately 3,594% as at 30 September 2020.

(iii) Overall comment

Adversely affected by the outbreak of COVID-19, the Group recorded a decrease in revenue of approximately 24.7% and 87.4% for the year ended 31 March 2020 and the six months ended 30 September 2020, respectively. Meanwhile, the Group has been recording loss attributable to the Shareholders and net cash used in operating activities for the two years ended 31 March 2020 and the six months ended 30 September 2020. As disclosed in the 2020 Annual Report, the net loss and the net current liabilities of the Group indicated that a material

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

uncertainly existed that might cast significant doubt on the Group's ability to continue as a going concern. Due to the Temporary Closure and the Relocation, the Group's gaming table business in Cambodia has been temporarily interrupted since April 2020 and up to the Latest Practicable Date.

The Group's liquidity position is under pressure as evidenced by its net current liabilities of approximately HK\$81.3 million, including cash and cash equivalents of approximately HK\$3.7 million, as at 30 September 2020. The current financial resources of the Group are insufficient to meet its short-term liabilities. The current ratio and gearing ratio of the Group have been deteriorating during the period under review.

We consider the issue of the zero-coupon Convertible Bond with a maturity of 18 months to settle part of the Group's current indebtedness in the amount of HK\$50 million allows the Group to refinance its debt for a longer term and relieve the Group's liquidity pressure to repay its current liabilities in light of its recent loss making and net current liabilities position.

2. Reasons for and benefits of the Subscription

As mentioned in the section headed "Background of the Group" above, the Group recorded loss attributable to the Shareholders and net cash used in operating activities for the two years ended 31 March 2020 and the six months ended 30 September 2020. The Group had cash and cash equivalents, net current liabilities and equity attributable to the Shareholders of approximately HK\$3.7 million, HK\$81.3 million and HK\$4.0 million as at 30 September 2020, respectively.

As disclosed in the Letter from the Board, taking into account the financial position and expected operating cash flow to be generated by the Group, the prevailing market prices and trading volume of the Shares and the net current liabilities position of the Group, the Directors consider that it may not be favourable to have a fund raising exercise for substantial amount by way of issue of new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue or open offer) where considerable discount to the market prices of the Shares would be required. Given the limited alternative methods of financing, the Company agreed to settle part of the Indebted Amount due to the Subscriber through the issue of the Convertible Bond in the principal amount of HK\$50,000,000 under the Subscription.

We concur with the Directors that the Subscription represents an appropriate debt restructuring plan for the Company and is in the interests of the Company and the Shareholders as a whole, after considering the followings as a whole:

- (i) in view of the thin trading liquidity of the Shares and the loss-making and net current liabilities position of the Group, limited alternative methods of financing with acceptable terms are available to improve the liquidity and financial position of the Group, details of which are set out in the section headed "4. Assessment of the principal terms of the Subscription – (i) Conversion Price – (b) Average daily trading volume of the Shares" below;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) as disclosed in the 2020 Interim Report, the net current liabilities position of the Group of approximately HK\$81.3 million as at 30 September 2020 was primarily caused by the loan of approximately HK\$66.8 million due to the Subscriber. Given (a) a substantial part of this current loan will be settled through the issue of the Convertible Bond with a longer term of 18 months; and (b) such settlement will not result in an immediate cash outflow of the Group, the Subscription will immediately improve the liquidity position of the Group;
- (iii) as disclosed in the 2020 Annual Report, the Subscriber has undertaken to the Company that he will not demand repayment of loan due by the Company to him until 29 June 2021, meaning that there exists a possibility that the Subscriber can demand repayment of the Indebted Amount any time after 29 June 2021, which creates uncertainty to the operating cash flows of the Group. Although the Convertible Bond will be classified as current liabilities only six months after issuance, the fixed term of the Convertible Bond will provide certainty as to the working capital requirement of the Group and allow sufficient time for the Group to explore possible repayment or refinancing plans for the Group's existing indebtedness, including a general mandate fundraising activity;
- (iv) subject to compliance with the Takeovers Code and the Listing Rules, the Subscriber may exercise the Conversion Rights, which would substantially reduce the indebtedness of the Group, improving the capital base and gearing of the Group. As disclosed in the Letter from the Board, in the event the Subscriber does not exercise the Conversion Right under the Convertible Bond by the end of the maturity, the Company will try to re-negotiate with the Subscriber on any possible arrangement to further extend the maturity date of the Convertible Bond in full or in part or agree on a repayment schedule. The Company may, subject to the then market condition, explore any possibility in conducting equity fundraising activities to settle the amount due to the Subscriber in this regard;
- (v) same as the Indebted Amount, the Convertible Bond is interest free and the Group will continue to obtain the financial support from the Subscriber through the Subscription;
- (vi) the terms of the Subscription (including the issue of the Convertible Bond) are fair and reasonable, which are further explained in the sections below; and
- (vii) the potential dilution effect of the conversion of the Convertible Bond on the shareholding of existing public Shareholders in the Company is substantial which we consider acceptable taking into account the factors stated above, details of which are set out in the section headed "6. Potential dilution effect on the shareholding interests of the existing public Shareholders" below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Subscription Agreement and the Convertible Bond

(i) *The Subscription Agreement*

Details of the Subscription Agreement are set out in the Letter from the Board, which are summarised below:

Date	:	30 December 2020 (as supplemented by the Supplemental Subscription Agreement dated 15 January 2021)
Parties	:	(a) the Company, as issuer; and (b) the Subscriber, as subscriber
Subject	:	As at the date of the Subscription Agreement, the Company was indebted to the Subscriber a total of HK\$71,271,758 (i.e. the Indebted Amount) which was interest free, unsecured and has no fixed repayment term.

Pursuant to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Subscriber has conditionally agreed to subscribe and the Company has conditionally agreed to issue the Convertible Bond in the principal amount of HK\$50,000,000.

The subscription amount payable by the Subscriber under the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) shall be satisfied by releasing the payment obligation of HK\$50,000,000 of the Company against the Indebted Amount.

Pursuant to the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), upon completion, the Company shall issue the Convertible Bond to the Subscriber and the remaining balance of HK\$21,271,758 is payable to the Subscriber.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions precedent : Completion of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) is conditional upon, among other things:

- (a) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the New Shares arising from the implementation of the Capital Reorganisation and the Conversion Shares to be issued upon exercise of the Conversion Rights pursuant to the Convertible Bond and such grant remaining in full force and effect; and
- (b) the passing of the requisite respective resolutions by the Board and the Shareholders at the SGM (other than those persons who are precluded from voting under the Listing Rules) approving, inter alia, the Capital Reorganisation and the transactions contemplated under the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) (including but not limited to the issue of the Convertible Bond and the allotment and issue of Conversion Shares upon exercise of the respective Conversion Rights).

In the event that the conditions of the Subscription are not fulfilled by 3:00 p.m. on or before 31 March 2021 or such other time and date as may be agreed between the parties to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other save for any antecedent breaches of the terms thereof.

(ii) The Convertible Bond

Details of the principal terms of the Convertible Bond are set out in the Letter from the Board, which are summarised below:

Principal amount : HK\$50,000,000

Coupon rate : Interest free

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Maturity Date : 18 months from the date of issue of the Convertible Bond
- Conversion rights : A holder of the Convertible Bond shall have the right to convert in whole or in part (in an integral multiple of HK\$1,000,000) of the Convertible Bond into Conversion Shares at the Conversion Price (subject to adjustments) on any Business Day from the date of issue of the Convertible Bond and up to the maturity date of the Convertible Bond, subject to the restrictions on the exercise of the Conversion Rights as set out below.
- Conversion price : Initially, HK\$0.50 per New Share (equivalent to HK\$0.05 per Existing Share as adjusted for the effect of the Capital Reorganisation), subject to adjustments.

The Conversion Price shall be adjusted as provided in the Convertible Bond instrument in each of the following cases:

- (i) an alteration of the number of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution (as defined in the Convertible Bond instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;
- (iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares;
- (v) an issue being made by the Company of securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined in the Convertible Bond instrument) initially receivable for such securities is less than 80% of the market price;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(vi) an issue being made by the Company of Shares at a price which is less than 80% of the market price; and

(vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the Convertible Bond instrument) less than 80% of the market price.

- Transferability : Freely transferrable, in whole or any part of the outstanding principal amount, to any person, subject to the terms of the Convertible Bond (as the case may be), the Listing Rules and all applicable laws and regulations.
- Listing : No application will be made for the listing of the Convertible Bond on the Stock Exchange.
- Voting : A holder of the Convertible Bond will not be entitled to receive notices of, attend or vote at any Shareholders' meetings of the Company by reason only of it being a holder of the Convertible Bond.
- Redemption and repurchase : The Company shall redeem at 100% of the outstanding principal amount of the Convertible Bond (as the case may be) on the maturity date.

The Company shall have the right to redeem in whole or any part(s) of the principal amount of the Convertible Bond, with an aggregate amount of HK\$1,000,000 and authorised denomination(s) integral multiples thereof (if at any time the aggregate outstanding principal amount held by a holder of the Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of such aggregate outstanding principal amount may be redeemed), at any time on any business day prior to the maturity date by giving prior notice of not less than thirty (30) days in writing to the holder of the Convertible Bond. The Convertible Bond(s) or any part thereof so redeemed shall forthwith be cancelled by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Status : The obligations of the Company arising under the Convertible Bond constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws.
- Restriction on the exercise of the Conversion Rights : The holder(s) of the Convertible Bond agree and undertake to the Company that it shall not exercise any of the Conversion Rights if:
- (a) the holder(s) of the Convertible Bond and parties acting in concert with it/them will directly or indirectly control or be interested in such percentage of voting rights of the Company which the holder(s) would be obliged to make a general offer under the Takeovers Code unless:
 - (1) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or
 - (2) a general offer is made in accordance with the requirement of the Takeovers Code;
 - (b) the Company will be unable to meet the public float requirements under the Listing Rules; or
 - (c) the holder(s) of the Convertible Bond or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations.

4. Assessment of the principal terms of the Subscription

(i) Conversion Price

The initial Conversion Price, being HK\$0.50 per New Share (equivalent to HK\$0.05 per Existing Share as adjusted for the effect of the Capital Reorganisation), represents:

- (a) a premium of approximately 8.7% over the adjusted closing price of HK\$0.460 per New Share (based on the closing price of HK\$0.0460 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) a premium of approximately 2.9% over the adjusted average closing price of approximately HK\$0.486 per New Share (based on the average closing price of approximately HK\$0.0486 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (c) a premium of approximately 2.5% over the adjusted average closing price of approximately HK\$0.488 per New Share (based on the average closing price of approximately HK\$0.0488 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (d) a discount of approximately 2.0% to the adjusted average closing price of approximately HK\$0.510 per New Share (based on the average closing price of approximately HK\$0.0510 per Existing Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (e) a discount of approximately 0.8% to the adjusted average closing price of approximately HK\$0.504 per New Share (based on the average closing price of approximately HK\$0.0504 per Existing Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (f) a premium of approximately 0.8% over the adjusted average closing price of approximately HK\$0.496 per New Share (based on the average closing price of approximately HK\$0.0496 per Existing Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (g) the adjusted average closing price of approximately HK\$0.500 per New Share (based on the average closing price of approximately HK\$0.0500 per Existing Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation);
- (h) a premium of approximately 19.0% over the adjusted closing price of HK\$0.420 per New Share (based on the closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation); and

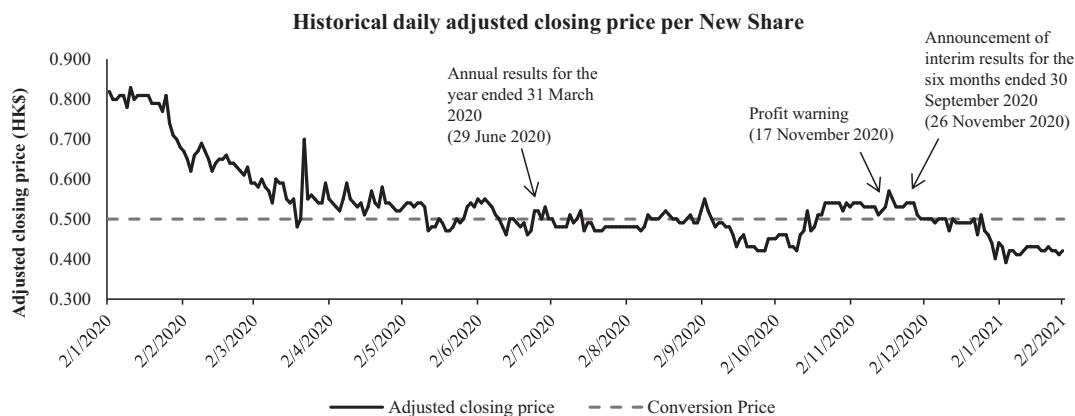
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (i) a premium of approximately 1,566.7% over the adjusted unaudited consolidated net asset value per New Share of approximately HK\$0.030 per New Share (based on the unaudited equity attributable to the Shareholders of approximately HK\$4.0 million as at 30 September 2020 and 1,282,475,614 Existing Shares which are adjusted for the effect of the Capital Reorganisation) (the “**Adjusted NAV per New Share**”).

As disclosed in the Letter from the Board, the Conversion Price was arrived at after arm’s length negotiation between the Company and the Subscriber after taking into account the prevailing market prices of the Shares, the operation and financial performance of the Group, the current market conditions and the consolidated net current liabilities position of the Company as at 30 September 2020.

(a) *Comparison with adjusted historical closing prices of the New Shares*

In order to assess the fairness and reasonableness of the Conversion Price, we have performed a review on the daily adjusted closing prices (as adjusted for the Capital Reorganisation) of the New Shares from 2 January 2020 to the Last Trading Day (being approximately one year) (the “**Review Period**”) and up to the Latest Practicable Date and compared them with the Conversion Price. We consider the Review Period is adequate to reflect the general market sentiment primarily caused by the outbreak of COVID-19 since early 2020 and illustrates the general trend and level of movement of the daily adjusted closing prices of the New Shares.



Source: website of the Stock Exchange

During the Review Period, the average adjusted closing price was approximately HK\$0.543 per New Share (the “**Average Adjusted Closing Price**”). The daily adjusted closing price ranged from HK\$0.420 per New Share (the “**Lowest Adjusted Closing Price**”) recorded on 25, 28 and 29 September 2020 and 15 October 2020 to HK\$0.830 per New Share (the “**Highest Adjusted Closing Price**”) recorded on 10 January 2020 during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Since the beginning of the Review Period, the daily adjusted closing price had been in a downward trend from HK\$0.830 per New Share on 10 January 2020 to HK\$0.480 per New Share on 19 March 2020. It surged to HK\$0.700 per New Share on 23 March 2020 and then declined to HK\$0.420 per New Share on 29 September 2020 before rebounding to HK\$0.460 per New Share on the Last Trading Day. The New Shares closed at HK\$0.42 as at the Latest Practicable Date.

The Conversion Price of HK\$0.5 per New Share represents (1) a premium of approximately 19.05% over the Lowest Adjusted Closing Price of HK\$0.420 per New Share; (2) a discount of approximately 39.76% to the Highest Adjusted Closing Price of HK\$0.830 per New Share; and (3) a discount of approximately 7.92% to the Average Adjusted Closing Price of approximately HK\$0.543 per New Share for the Review Period. Although the Conversion Price represents a discount of approximately 7.92% to the Average Adjusted Closing Price during the Review Period, the Conversion Price approximates the adjusted average closing price of approximately HK\$0.500 per New Share for the 180 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation.

The adjusted closing prices of the New Shares were generally in a downward trend during the Review Period. We consider this was primarily caused by the rapid global spread of COVID-19 since early 2020, resulting in the Temporary Closure and therefore suspension of the Group's gaming table business in Cambodia. This, in turn, gave rise to loss attributable to the Shareholders of approximately HK\$39.2 million and HK\$6.2 million for the year ended 31 March 2020 and the six months ended 30 September 2020, respectively, as well as worsen net current liabilities position of the Company which amounted to approximately HK\$81.3 million as at 30 September 2020.

The Conversion Price, in our view, should be determined based on the prevailing market prices of the Shares which have fully reflected the current market conditions and the latest financial performance and position of the Group to provide incentive for possible conversion in the future so that the financial position of the Group will be improved and the Company is not required to redeem the Convertible Bond at maturity.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Average daily trading volume of the Shares*

Apart from historical daily adjusted closing prices of the New Shares, we have reviewed the average daily trading volume of the Existing Shares for each month during the Review Period and up to the Latest Practicable Date, details of which are set out below:

	Approximate average daily trading volume of the Existing Shares <i>(No. of Existing Shares)</i>	Number of trading days	Approximate percentage of average daily trading volume to total number of issued Existing Shares <i>(Note 1)</i>	Approximate percentage of average daily trading volume to total number of issued Existing Shares held by public Shareholders <i>(Note 2)</i>
Year 2020				
January	427,916	20	0.033%	0.065%
February	656,845	20	0.051%	0.100%
March	1,583,715	22	0.123%	0.241%
April	687,326	19	0.054%	0.104%
May	898,721	20	0.070%	0.137%
June	243,279	21	0.019%	0.037%
July	1,096,199	22	0.085%	0.167%
August	330,828	21	0.026%	0.050%
September	1,817,580	22	0.142%	0.276%
October	571,085	18	0.045%	0.087%
November	770,779	21	0.060%	0.117%
December	696,989	22	0.054%	0.106%
Year 2021				
January	3,266,570	20	0.255%	0.496%
1 February to the Latest Practicable Date	215,739	2	0.017%	0.033%

Source: website of the Stock Exchange

Notes:

1. Based on the number of total issued Existing Shares as at each month end as disclosed in the monthly returns of the Company.
2. Based on the number of Existing Shares held by public Shareholders calculated by deducting the Existing Shares held by Mr. Ng Man Sun, Ms. Cheng Wai Man, Mr. Huang Wei Qiang and Mr. Wong Kam Wah from the number of total issued Existing Shares as at each month or period end.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the average daily trading volume of the Existing Shares in each month ranged from 243,279 Existing Shares in June 2020 to 3,266,570 Existing Shares in January 2021, representing approximately 0.019% and 0.255% of the total number of issued Existing Shares as at the end of the relevant months and approximately 0.037% to 0.496% of the total number of issued Existing Shares held by public Shareholders as at the end of the relevant months, respectively, indicating a relatively thin trading liquidity during the Review Period and up to the Latest Practicable Date.

Given the relatively thin trading liquidity of the Shares as illustrated above, coupled with the loss-making and net current liabilities position of the Group, the Directors consider that conducting fund raising exercises such as a share placement or a rights issue or open offer may not be feasible given (1) it is difficult to find independent third parties who are willing to act as placing agents or underwriters without any favorable terms; and (2) considerable discount to the market prices of the Shares will be required to attract potential investors or existing Shareholders to participate in the fund raising exercise. As such, we consider the partial settlement of the Indebted Amount by way of issue of the Convertible Bond, with the Conversion Price set at a slight premium over the prevailing market prices of the Shares, is more appropriate as compared to other alternative means of financing. Subject to compliance with the Listing Rules and the Takeovers Code, the setting of the Conversion Price at a slight premium over the prevailing market prices of the Shares will also provide an incentive for the Subscriber to exercise the Conversion Right under the Convertible Bond so that the financial position of the Group would be improved and the Company is not required to redeem the Convertible Bond at maturity.

(c) Comparison with other issues and subscriptions of convertible bonds or notes

In evaluating the fairness and reasonableness of the terms of the Convertible Bond, we have further reviewed the issues and subscriptions of convertible bonds or notes conducted by companies listed on the Stock Exchange (the “**CB Comparables**”) as announced during the period from 1 November 2020 to the Latest Practicable Date (being approximately two months prior to the Last Trading Day) (the “**Comparable Period**”). Based on the aforesaid criteria, we have identified an exhaustive list of 29 CB Comparables.

We consider that (1) the Comparable Period adequately covers the prevailing market conditions and sentiments of the capital market in Hong Kong; (2) the CB Comparables represent recent structures of the convertible bond or note issues in Hong Kong; and (3) the CB Comparables demonstrate the market practice during the period and allow the Independent Shareholders to have a general understanding of recent issues of convertible bonds or notes being conducted in the capital market of Hong Kong. In addition, given the number of the CB Comparables identified and the similarity of the nature of the convertible bond or note exercises, we consider that the CB Comparables are fair and representative samples.

Independent Shareholders should note that the businesses, operations and prospects of the Company are not the same as, or even substantially vary from, those of the CB Comparables, and we have not conducted any detailed investigation into the respective businesses and operations of the CB Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the details of the CB Comparables:

No.	Date of initial announcement	Name of company	Stock code	Maximum aggregate principal amount (HK\$)	Maturity (approximate in years)	Coupon rate per annum	Premium/(discount) of the conversion price over/(to) the closing price per share on/prior to the date of agreement	Premium/(discount) of the conversion price over/(to) the average closing price for the last five trading day prior to/up to and including the date of agreement	Adjustments to conversion price (Yes/No)
1	2 November 2020	Zhonghua Gas Holdings Limited	8246	97,800,000	3.0	8.0%	8.00%	8.09%	Yes
2	5 November 2020	Echo International Holdings Group Limited	8218	4,100,400	5.0	7.0%	14.86%	0.00%	Yes
3	6 November 2020	Wai Hung Group Holdings Limited	3321	233,923,601	1.0	8.0%	1.82%	0.08%	Yes
4	17 November 2020	Grand Field Group Holdings Limited	115	102,320,000	1.5	5.0%	2.60%	2.80%	Yes
5	18 November 2020	Union Medical Healthcare Limited	2138	234,000,000	5.0	2.5%	7.77%	11.74%	Yes
				31,200,000	5.0	2.5%	7.77%	11.74%	Yes
				39,000,000	5.0	2.5%	1.33%	2.32%	Yes
6	24 November 2020	Far East Horizon Limited	3360	US\$200,000,000	5.0	Nil	9.04%	7.67%	Yes
7	27 November 2020	Elife Holdings Limited	223	20,000,000	3.0	Nil	29.87%	36.97%	No
8	30 November 2020	Wai Chun Group Holdings Limited	1013	60,000,000	5.0	4.0%	2.04%	(10.39%)	Yes
9	1 December 2020	Huazhang Technology Holding Limited	1673	100,000,000	1.0	12.0%	0.00%	0.00%	Yes
10	2 December 2020	Xiaomi Corporation	1810	US\$855,000,000	7.0	Nil	40.50%	39.70%	Yes
11	3 December 2020	CAR Inc.	699	1,356,250,000	5.0	5.0%	5.82%	6.10%	Yes
12	14 December 2020	New Concepts Holdings Limited	2221	10,000,000	3.0	6.0%	5.79%	11.73%	Yes
13	18 December 2020	Viva Biotech Holdings	1873	US\$280,000,000	5.0	1.0%	35.00%	39.40%	Yes
14	21 December 2020	Kinetix Systems Holdings Limited	8606	48,000,000	5.0	Nil	(14.29%)	1.49%	Yes
15	22 December 2020	North Mining Shares Company Limited	433	319,520,548	2.0	8.0%	6.67%	3.90%	Yes
				429,193,445	2.0	8.0%	6.67%	3.90%	Yes
16	22 December 2020	SinoMab BioScience Limited	3681	100,000,000	1.0	4.95%	25.00%	45.35%	Yes
17	23 December 2020	China Oil Gangran Energy Group Holdings Limited	8132	4,921,216	4.3	Nil	(80.28%)	(83.97%)	Yes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Date of initial announcement	Name of company	Stock code	Maximum aggregate principal amount (HK\$)	Maturity (approximate in years)	Coupon rate per annum	Premium/(discount) of the conversion price over/(to) the closing price per share on/prior to the date of agreement	Premium/(discount) of the conversion price over/(to) the average closing price for the last five trading day prior to/up to and including the date of agreement	Adjustments to conversion price (Yes/No)
18	29 December 2020	Genertec Universal Medical Group Company Limited	2666	US\$150,000,000	5.0	2.0%	14.29%	12.71%	Yes
19	03 January 2021	Mobvista Inc.	1860	US\$30,000,000	3.0	3.5%	14.94%	22.19%	Yes
20	05 January 2021	SDM Group Holdings Limited	8363	49,530,000	3.0	8.0%	3.74%	0.00%	Yes
21	06 January 2021	Zhejiang Expressway Company Limited	576	Euro230,000,000	5.0	Nil	35.00%	35.20%	Yes
22	08 January 2021	China Hongqiao Group Limited	1378	US\$300,000,000	5.0	5.3%	14.97%	19.76%	Yes
23	08 January 2021	Hansoh Pharmaceutical Group Company Limited	3692	US\$600,000,000	5.0	Nil	44.06%	51.63%	Yes
24	13 January 2021	China Maple Leaf Educational Systems Limited	1317	US\$125,000,000	5.0	2.3%	25.00%	22.81%	Yes
25	19 January 2021	Earthasia International Holdings Limited	6128	US\$15,000,000	2.0	5.5%	14.03%	14.84%	Yes
26	24 January 2021	China Mengniu Dairy Company Limited	2319	RMB4,000,000,000	5.0	2.4%	(24.99%)	(27.72%)	Yes
27	26 January 2021	Target Insurance (Holdings) Limited	6161	400,000,000	5.0	Nil	(8.06%)	(12.31%)	Yes
28	27 January 2021	China Tontine Wines Group Limited	389	40,000,000	2.0	15%	21.95%	24.07%	Yes
29	27 January 2021	Cathay Pacific Airways Limited	293	6,740,000,000	5.0	2.75%	30.0%	25.84%	Yes
				Maximum	7.0	15.0%	44.06%	51.63%	
				Minimum	1.0	0.0%	(80.28%)	(83.97%)	
				Average	3.9	4.1%	9.40%	10.24%	
				Median	5.0	3.3%	7.89%	9.91%	
	30 December 2020	The Company	959	50,000,000	1.5	Nil	8.70%	2.88%	Yes

Source: the announcement of relevant companies published on the Stock Exchange's website

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the initial conversion prices of the CB Comparables ranged from a discount of approximately 80.28% to a premium of approximately 44.06% to/over the respective closing price per share on the last trading day on/prior to the date of the relevant agreement, with the median of a premium of approximately 7.89%. The premium of approximately 8.70%, as represented by the Conversion Price over the adjusted closing price of HK\$0.460 per New Share on the Last Trading Day, is within the range of, and is higher than the median of, those of the CB Comparables.

In addition, the initial conversion prices of the CB Comparables ranged from a discount of approximately 83.97% to a premium of approximately 51.63% to/over the average closing price per share for the last five trading days prior to or up and including the date of the relevant agreement, with the median of a premium of approximately 9.91%. The premium of approximately 2.88%, as represented by the Conversion Price over the adjusted average closing price of approximately HK\$0.486 per New Share for the five consecutive trading days up to and including the Last Trading Day, is within the range of those of the CB Comparables.

Taking into account (a) the premiums as represented by the Conversion Price are within the ranges of those of the CB Comparables, as illustrated above; (b) the Conversion Price represents a significant premium of approximately 1,566.7% over the Adjusted NAV per New Share as at 30 September 2020; and (c) the setting of the Conversion Price at a slight premium over the prevailing market prices of the Shares will provide an incentive for the Subscriber to exercise the Conversion Right under the Convertible Bond so that the financial position of the Group would be improved and the Company is not required to redeem the Convertible Bond at maturity, we consider the Conversion Price to be fair and reasonable.

(ii) Maturity and coupon rate

The terms of the CB Comparables range from one year to seven years whereas the coupon rates of the CB Comparables range from nil to 15.0% per annum. The term and coupon rate of the Convertible Bond are in line with the market practice.

(iii) Adjustments to conversion price

Pursuant to the terms of the Convertible Bond, the Conversion Price shall be adjusted upon the occurrence of, among other things, share consolidation or subdivision, capitalisation of profits or reserves, capital distribution, rights issue or any other offers or grant made by the Company to the Shareholders to subscribe for new Shares, issue of securities which are convertible into new Shares in which the total effective consideration per Share is less than 80% of the market price, issue of Shares at a price less than 80% of the market price, and issue of Shares for acquisition of asset at a total effective consideration per Share less than 80% of the market price.

In assessing the fairness and reasonableness of the adjustment terms of the Convertible Bond as regards the Conversion Price, we have reviewed the relevant adjustment terms of the CB Comparables and noted that the initial conversion prices of the CB Comparables are subject

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to adjustments upon occurrence of similar adjustment events as the Convertible Bond as mentioned above. Therefore, we consider that the relevant adjustment terms of the Convertible Bond are usual and normal adjustment terms which are comparable to those of other convertible bonds or notes in the market.

(iv) Overall comment

Given the principal terms of the Subscription, in particular the premiums as represented by the Conversion Price over the prevailing market prices of the Shares, are in line with the market practice demonstrated by the CB Comparables, we consider the terms of the Subscription to be fair and reasonable.

5. Financial impact of the Subscription

(i) Earnings and working capital

On initial recognition, the Convertible Bond shall be recognised as a compound financial instrument with a conversion option, which comprise an equity component and a liability component, on the consolidated financial statements of the Company. The carrying amount of the liability component is first determined by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity component is then determined by deducting the fair value of the liability component from the fair value of the Convertible Bond as a whole. The liability component of the Convertible Bond is subsequent measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. It is expected that the Subscription will not have a material impact on the earnings of the Group.

Given (a) the partial settlement of the Indebted Amount by way of the Subscription will not exert immediate cash outflow on the Group and will reclassify the related indebtedness from current liabilities to non-current liabilities given the 18-month term of the Convertible Bond; (b) the Convertible Bond is interest free; and (c) the capital base of the Company will be improved upon conversion of the Convertible Bond, the Subscription is expected to improve the liquidity of the Group.

(ii) Net asset value and gearing

It is expected that the Subscription will not have an immediate material impact on the net asset value and the gearing of the Group. Subject to compliance with the Listing Rules and the Takeovers Code, the net asset value and gearing of the Group are expected to improve upon conversion of the Convertible Bonds, given the reduction in the Group's overall indebtedness.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial performance and position of the Company would be following the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Potential dilution effect on the shareholding interests of the existing public Shareholders

As shown in the Letter from the Board under the section headed “Shareholding structure of the Company”, assuming there is no other change in the issued share capital and shareholding structure of the Company other than the Capital Reorganisation and conversion of the Convertible Bond, the shareholding in the Company held by existing public Shareholders would be diluted from approximately 51.31% as at the Latest Practicable Date to approximately 28.83% immediately after the Capital Reorganisation and full conversion of the Convertible Bond.

Taking into account (i) the deteriorating financial position of the Group; (ii) limited alternative means of financing with acceptable terms are available to raise the required fund to relieve the liquidity pressure of the Group; (iii) the Subscription will not result in an immediate cash outflow for the Group and will immediately improve the net current liability position of the Group; (iv) the financial position of the Group will be improved upon conversion of the Convertible Bond; and (v) the terms of the Subscription (including the issue of the Convertible Bond) are fair and reasonable, we consider that the potential dilution effect on the shareholding of existing public Shareholders in the Company is acceptable so far as they are concerned. Under the terms of the Convertible Bond, the holder(s) may not convert the Convertible Bond if it would result in (i) the holder(s) being obliged to make a general offer under the Takeovers Code unless a whitewash waiver is obtained or a general offer is made in accordance with the Takeovers Code; or (ii) the Company failing to comply with the minimum public float requirement under the Listing Rules.

OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- adversely affected by the outbreak of COVID-19 and the Temporary Closure, the Group recorded loss attributable to the Shareholders and net cash used in operating activities for the year ended 31 March 2020 and the six months ended 30 September 2020, resulting in a deteriorating financial position with net current liabilities and cash and cash equivalents of approximately HK\$81.3 million and HK\$3.7 million as at 30 September 2020, respectively. A debt restructuring plan is therefore critical to improving the liquidity and financial position of the Group;
- in view of the thin trading liquidity of the Shares and the loss-making and net current liabilities position of the Group, conducting fund raising exercises such as a share placement or a rights issue or open offer may not be feasible given:
 - it is difficult to find independent third parties who are willing to act as placing agents or underwriters without any favorable terms; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- considerable discounts to the market prices of the Shares will be required to attract potential investors or existing Shareholders to participate in the fund raising exercise;
- the Subscription is an appropriate debt restructuring plan given:
 - the Subscription will not result in an immediate cash outflow for the Group and will improve the net current liability position of the Group;
 - no interest will be charged under the Convertible Bond;
 - the Convertible Bonds, if converted, will improve the capital base and gearing of the Group; and
 - the Conversion Price is at premiums to the prevailing market prices of the Shares whereas considerable discounts to the market prices of the Shares may be required for other alternative means of financing such as a share placement or a rights issue or open offer as explained above;
- the terms of the Subscription (including the issue of the Convertible Bond) are fair and reasonable as a whole after taking into account the following:
 - the Conversion Price is fair and reasonable:
 - the premiums as represented by the Conversion Price over (i) the adjusted closing price on the Last Trading Day; and (ii) the adjusted average closing price for the five consecutive trading days up to and including the Last Trading Day are within the ranges of those of the CB Comparables;
 - the Conversion Price represents a significant premium of approximately 1,566.7% over the Adjusted NAV per New Share as at 30 September 2020; and
 - the setting of the Conversion Price at a slight premium over the prevailing market prices of the Shares will provide an incentive for the Subscriber to exercise the Conversion Right under the Convertible Bond so that the financial position of the Group would be improved and the Company is not required to redeem the Convertible Bond at maturity; and
 - other principal terms of the Subscription, including the term and coupon rate of the Convertible Bond and the adjustment terms on the Conversion Price, are in line of the market practice as demonstrated by the CB Comparables;
- the Subscription is expected to improve the liquidity of the Group as well as the net asset value and gearing of the Group upon conversion of the Convertible Bond; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- the potential dilution effect on the shareholding of existing public Shareholders in the Company from approximately 51.31% as at the Latest Practicable Date to approximately 28.83% immediately after the Capital Reorganisation and full conversion of the Convertible Bond is acceptable after taking into account the factors stated above.

Based on the above, we consider that the terms of the Subscription (including the issue of the Convertible Bond) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Subscription (including the issue of the Convertible Bond), while not in the ordinary and usual course of business of the Company, are nevertheless in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription (including the issue of the Convertible Bond).

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry.

Details of the proposed amendments to the Bye-laws made by the Company are set out as follows:

Currently in force		Proposed to be amended as									
Bye-law 1	In these Bye-laws, unless the context otherwise requires, the words standing in the first column of the following table shall bear the meaning set opposite them respectively in the second column.	Bye-law 1	In these Bye-laws, unless the context otherwise requires, the words standing in the first column of the following table shall bear the meaning set opposite them respectively in the second column.								
	<table border="0"> <thead> <tr> <th>WORD</th> <th>MEANING</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> </tr> </tbody> </table>	WORD	MEANING	-	-		<table border="0"> <thead> <tr> <th>WORD</th> <th>MEANING</th> </tr> </thead> <tbody> <tr> <td>“business day”</td> <td>a day on which the Designated Stock Exchange generally is open for the business of dealing in securities in Hong Kong. For the avoidance of doubt, where the Designated Stock Exchange is closed for any trading session for the business of dealing in securities in Hong Kong on a business day by reason of a Number 8 or higher typhoon signal, black rainstorm warning or other similar event, such day shall for the purposes of these Bye-laws be counted as a business day.</td> </tr> </tbody> </table>	WORD	MEANING	“business day”	a day on which the Designated Stock Exchange generally is open for the business of dealing in securities in Hong Kong. For the avoidance of doubt, where the Designated Stock Exchange is closed for any trading session for the business of dealing in securities in Hong Kong on a business day by reason of a Number 8 or higher typhoon signal, black rainstorm warning or other similar event, such day shall for the purposes of these Bye-laws be counted as a business day.
WORD	MEANING										
-	-										
WORD	MEANING										
“business day”	a day on which the Designated Stock Exchange generally is open for the business of dealing in securities in Hong Kong. For the avoidance of doubt, where the Designated Stock Exchange is closed for any trading session for the business of dealing in securities in Hong Kong on a business day by reason of a Number 8 or higher typhoon signal, black rainstorm warning or other similar event, such day shall for the purposes of these Bye-laws be counted as a business day.										

Currently in force		Proposed to be amended as	
Bye-law 2(e)	expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words or figures in a visible form;	Bye-law 2(e)	expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words or figures in a visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Member's election comply with all applicable Statutes, rules and regulations;
Bye-law 2(h)	a resolution shall be a special resolution when it has been passed by a majority of not less than three-fourths of votes cast by such Members as, being entitled so to do, vote in person or, in the case of such Members as are corporations, by their respective duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' Notice, specifying (without prejudice to the power contained in these Bye-laws to amend the same) the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the Members having the right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent, in nominal value of the shares giving that right and in the case of an annual general meeting, if it is so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' Notice has been given;	Bye-law 2(h)	a resolution shall be a special resolution when it has been passed by a majority of not less than three-fourths of votes cast by such Members as, being entitled so to do, vote in person or, in the case of such Members being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which Notice has been duly given pursuant to Bye-law 59;

Currently in force		Proposed to be amended as	
Bye-law 2(i)	a resolution shall be an ordinary resolution when it has been passed by a simple majority of votes cast by such Members as, being entitled so to do, vote in person or, in the case of any Member being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen (14) days' Notice has been duly given;	Bye-law 2(i)	a resolution shall be an ordinary resolution when it has been passed by a simple majority of votes cast by such Members as, being entitled so to do, vote in person or, in the case of such Members being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which Notice has been duly given pursuant to Bye-law 59;
Bye-law 59(1)	<p>An annual general meeting and any special general meeting at which the passing of a special resolution is to be considered shall be called by not less than twenty-one (21) clear days' Notice. All other special general meetings may be called by not less than fourteen (14) clear days' Notice but a general meeting may be called by shorter notice if it is so agreed:</p> <p>(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and</p> <p>(b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.</p>	Bye-law 59(1)	<p>An annual general meeting shall be called by Notice of at least twenty-one (21) clear days and at least twenty (20) clear business days, and any other general meetings of the Company (including special general meetings) shall be called by Notice of at least fourteen (14) clear days and at least ten (10) clear business days, provided that, subject to the provisions of the Act and if permitted by the rules of the Designated Stock Exchange, a meeting of the Company may be called by shorter notice if it is so agreed:</p> <p>(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and</p> <p>(b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent. (95%) of the total voting rights at the meeting of all the Members.</p>

Currently in force		Proposed to be amended as	
Bye-law 153	Subject to Section 88 of the Act, a printed copy of the Directors’ report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors’ report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and laid before the Company in general meeting in accordance with the requirements of the Act provided that this Bye-law shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.	Bye-law 153	Subject to Section 88 of the Act and Bye-laws 153A and 153B, a printed copy of the Directors’ report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors’ report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and laid before the Company in general meeting in accordance with the requirements of the Act provided that this Bye-law shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

Currently in force		Proposed to be amended as	
		Bye-law 153A	<p>(Newly added)</p> <p>To the extent permitted by and subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 153 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, summarised financial statements derived from the Company’s annual accounts and the directors’ report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors’ report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.</p>

Currently in force		Proposed to be amended as	
		Bye-law 153B	(Newly added) The requirement to send to a person referred to in Bye-law 153 the documents referred to in that provision or a summary financial report in accordance with Bye-law 153A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 153 and, if applicable, a summary financial report complying with Bye-law 153A, on the Company's website or the website of the Designated Stock Exchange or in any other permitted manner (including by sending them in any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.
Bye-law 157	If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors shall as soon as practicable convene a special general meeting to fill the vacancy.	Bye-law 157	If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors may fill the vacancy and fix the remuneration of the Auditor so appointed or convene a special general meeting to do the same.

Currently in force		Proposed to be amended as	
Bye-law 160	<p>Any Notice from the Company to a Member shall be given in writing or by cable, telex or facsimile transmission message and any such Notice and (where appropriate) any other document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in accordance with the requirements of the Designated Stock Exchange. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.</p>	Bye-law 160	<p>Any Notice or document (including any “corporate communication” within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appropriate newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company’s website or the website of the Designated Stock Exchange, and giving to the Member a notice stating that the Notice or other document is available there (a “notice of availability”). The notice of availability may be given to the Member by any of the means set out above other than by posting it on a website. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.</p>

Currently in force		Proposed to be amended as	
Bye-law 161	Any Notice or other document: (a) If served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the notice or other document was so addressed and put into the post shall be conclusive evidence thereof; and (b) If served or delivered in any other manner contemplated by these Bye-laws, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the fact and time of such service, delivery, despatch or transmission shall be conclusive evidence thereof.	Bye-law 161	Any Notice or other document: (a) if served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the Notice or document was properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the Notice or other document was so addressed and put into the post shall be conclusive evidence thereof; (b) if sent by electronic communication, it shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A Notice placed on the Company’s website or the website of the Designated Stock Exchange, is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;

Currently in force		Proposed to be amended as	
			<p>(c) if served or delivered in any other manner contemplated by these Bye-laws, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the fact and time of such service, delivery, despatch or transmission shall be conclusive evidence thereof; and</p> <p>(d) may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.</p>

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long Position in shares and underlying shares of the Company

Name of Directors	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate percentage of issued share capital
Mr. Ng Man Sun	Beneficial owner	358,414,593	7,454,780 <i>(Note 1)</i>	365,869,373	28.53%
	Interest in a controlled corporation <i>(Note 2)</i>	307,366	–	307,366	0.02%
	Total	358,721,959	7,454,780 <i>(Note 1)</i>	366,176,739	28.55%

Name of Directors	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate percentage of issued share capital
Ms. Ng Wai Yee	Beneficial owner	–	7,703,040 (Note 1)	7,703,040	0.60%
Ms. Yeung Pui Han, Regina	Beneficial owner	–	2,213,040 (Note 1)	2,213,040	0.17%
Mr. Li Chi Fai	Beneficial owner	–	1,964,780 (Note 1)	1,964,780	0.15%
Ms. Sie Nien Che, Celia	Beneficial owner	300,000	1,716,520 (Note 1)	2,016,520	0.16%

Notes:

- These interests represent the number of underlying shares in respect of the Share Option Scheme.
- For 307,366 shares being held by East Legend Holdings Limited (“East Legend”), Mr. Ng Man Sun is interested in the entire issued share capital of East Legend and he is deemed to be interested in the 307,366 shares held by East Legend.

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders’ interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons (other than a Director or chief executive of the Company or their respective associates) or entities who had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name	Capacity	Number of shares held	Approximate percentage of issued share capital
Ms. Cheng Wai Man	Beneficial owner	96,212,121	7.50%
Mr. Huang Wei Qiang	Beneficial owner	86,900,000	6.78%
Mr. Wong Kam Wah	Beneficial owner	82,542,121	6.44%

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company or their respective associates) had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 to the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS

Save as disclosed in the section headed "COMPETING INTERESTS" below, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Ng Man Sun, the Chairman, executive Director, the Chief Executive Officer of the Company and a substantial Shareholder, is the sole beneficial owner of the Casino.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and his/her respective associates had interests in the businesses which competes or was likely to compete, whether directly or indirectly, with the business of the Group.

As at the Latest Practicable Date, the Group is principally engaged in the gaming business. Mr. Ng has an interest and held directorship in Lion King Entertainment Company Limited which engaged in the same business of operating gaming tables at the Casino as the Group. As such, he is regarded as being interested in such competing business with the Group.

6. MATERIAL ADVERSE CHANGE

The Cambodian government had requested that all casinos within Cambodia have to temporarily closed down from 23:59 p.m. of 1 April 2020 onwards until further notice as part of the measures to prevent the spread of the COVID-19 Epidemic (the “**Temporary Closure Demand**”).

Although the Cambodian governmental authorities announced on 3 July 2020 that they would allow casinos to resume business as long as they can demonstrate that they are capable to follow the government guidelines regarding health and safety requirements, the Company was being informed by Lion King Entertainment Company Limited on 6 July 2020 that in light of the serious impact of the COVID-19 Epidemic to the overall Cambodia gaming market and the Temporary Closure Demand, they (i) had been negotiating with the landlord for any possibility to reduce the lease payment of the Casino however failed; (ii) were being offered with comparatively more attractive terms for lease and had signed a lease agreement for the New Casino; and (iii) confirmed with the Company that the relocation of operation location of the Casino would have no impact on the validity and legality of the assignment agreement dated 28 October 2019 entered into among Lion King Entertainment Company Limited, Victor Mind Global Limited and Mr. Ng for the assignment of the business rights of 4 gaming tables located at the mass market gaming area in the Casino (the “**Gaming Table Business Rights**”).

On 30 September 2020, the Company was further informed of the location of the New Casino which is expected to be re-opened by 31 January 2021. Subsequently, the Company was being informed that re-opening schedule of the New Casino has been delayed due to the following reasons:

- (i) the global rebound of the COVID-19 Epidemic since late 2020 has upset the global logistic market and the original delivery schedule of the certain essential equipment, in particular, the delivery of the CCTV system has been delayed;
- (ii) following the outbreak of COVID-19 community transmission incident in Cambodia on 28 November 2020 (the “**11.28 Incident**”), the Cambodia government had announced to temporarily suspend the immigration relief measures to relieve the 14-days quarantine requirement for foreign business travellers, corporate employees, experts and technicians with effect from 12 December 2020 and demand for closure of certain shops, malls, restaurants and schools until 29 December 2020 when the Cambodian government announced that the 11.28 Incident has ended. The decoration and system installation works of the New Casino had been temporarily suspended from 12 December 2020 to 29 December 2020 to avoid the spread of the 11.28 Incident; and
- (iii) due to (i) and (ii) above, the installation, testing and training schedules of the CCTV system and the casino management system has been delayed correspondingly.

Due to the above matters, the running of the Gaming Table Business has been temporarily interrupted since April 2020 up to the Latest Practicable Date. Upon further negotiation, it was mutually agreed to prioritise completion work at the mass market of the New Casino for re-opening. As at the Latest Practicable Date, decoration works and systems installation works at the mass market of the New Casino are expected to be completed within two weeks. Subject to the completion of the systems testing and provision of training to casino staff by the systems vendors, which are scheduled to be completed within four to five weeks from the Latest Practicable Date, it is expected that the mass market of the New Casino can be re-opened by early March 2021.

In this regard, the Company has engaged an independent professional survey consultancy firm in APAC gaming industry to research and advise on the relocation to the New Casino. As at the Latest Practicable Date, the survey consultancy firm had completed the independent on-site works and is in the process of preparing a survey report for the Company's assessment. Meanwhile, the Company is negotiating with the assignor and expects to finalize the amendments to the terms of the previously approved Gaming Table Business Rights by 5 February 2021. The said proposed amendments to the existing terms of the Gaming Table Business Rights will constitute material variation to the terms of the major and connected transaction previously approved by the Shareholders of the Company at the special general meeting held on 30 March 2020, and are thus subject to announcement, circular and Shareholders' approval requirements under the Listing Rules. The Company will by announcement update the Shareholders and potential investors of the Company as and when appropriate.

Save as disclosed above, the Directors were not aware of any material adverse changes in the financial position or trading position of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given advice or opinion contained in this circular:

Name	Qualifications
Rainbow Capital (HK) Limited	a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Rainbow Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Rainbow Capital did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, Rainbow Capital did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up).

8. GENERAL

- (a) The company secretary of the Company is Mr. Cheung Tai Chi. Mr. Cheung is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company in Hong Kong is at Suite 6303-04, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular and accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Suite 6303-04, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the annual reports of the Company for the two financial years ended 31 March 2019 and 2020;
- (b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

- (d) the letter of advice from Rainbow Capital (HK) Limited, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (e) the Subscription Agreement;
- (f) the Supplemental Subscription Agreement;
- (g) the written consent referred to in the paragraph headed “Expert and consent” in this appendix; and
- (h) this circular.

NOTICE OF SPECIAL GENERAL MEETING



世紀娛樂國際控股有限公司

CENTURY ENTERTAINMENT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 959)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Century Entertainment International Holdings Limited (the “**Company**”) will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 1 March 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as special resolutions and an ordinary resolution of the Company:

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 5 February 2021 (the “**Circular**”).

SPECIAL RESOLUTIONS

1. “**THAT**

- (a) subject to and conditional upon (i) The Stock Exchange granting the listing of, and permission to deal in, the New Shares and (ii) the compliance by the Company with the relevant procedures and requirements under the laws of Bermuda, with effect from the second business day after the date on which this resolution is passed by the shareholders of the Company or the above conditions are fulfilled (whichever is later):
 - i. every ten (10) issued and unissued Existing Shares of par value of HK\$0.20 each shall be consolidated into one (1) Consolidated Share of par value of HK\$2.00 each;
 - ii. the par value of each issued Consolidated Share shall be reduced from HK\$2.00 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$1.99 on each issued Consolidated Share and any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled;
 - iii. every unissued Consolidated Share of par value of HK\$2.00 each in the authorised share capital of the Company shall be sub-divided into two hundred (200) New Shares of par value of HK\$0.01 each; and

NOTICE OF SPECIAL GENERAL MEETING

- iv. the credit arising from the Capital Reduction shall be transferred to the contributed surplus account of the Company within the meaning of the Companies Act;
 - (b) any one director of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Capital Reorganisation.”
2. **“THAT**
- (a) the proposed Amendments to the Bye-laws as set out in Appendix I to the Circular be approved; and
 - (b) any one director of the Company be and is hereby authorised to take such further action as he/she may, in his/her sole and absolute discretion thinks fit for and on behalf of the Company, to implement the Amendments to the Bye-laws.”

ORDINARY RESOLUTION

3. **“THAT**
- (a) the conditional Subscription Agreement dated 30 December 2020 (as supplemented by the Supplemental Subscription Agreement dated 15 January 2021) (copies of which have been produced to the SGM marked “A” and “B” and initialled by the chairman of the SGM for the purpose of identification) entered into between the Company (as issuer) and Mr. Ng Man Sun (as subscriber) in relation to the settlement of the Indebted Amount in the sum of HK\$50,000,000 by the Company to the Subscriber (details were disclosed in the Circular, a copy of which is marked “C” and signed by the chairman of the SGM for identification purpose and has been tabled at the SGM) and the transactions contemplated thereunder including but not limited to the issue of convertible bond, which is interest free, with a 18 months term under the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) which are convertible into ordinary shares of the Company at the conversion price of HK\$0.50 per Conversion Share (subject to adjustment) to Mr. Ng pursuant to the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and the allotment and issue of the shares of HK\$0.01 each in the share capital of the Company upon conversion of the Convertible Bond be and are hereby generally and unconditionally approved, confirmed and ratified;

NOTICE OF SPECIAL GENERAL MEETING

- (b) any one director of the Company be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement) and any of the transactions contemplated thereunder including but not limited to the issue of the Convertible Bond; and
- (c) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the Conversion Shares.”

By order of the Board
Century Entertainment International Holdings Limited
Ng Man Sun
Chairman and Chief Executive Officer

Hong Kong, 5 February 2021

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Suite 6303-04
63/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. Any member entitled to attend and vote at the SGM convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him, if he is a holder of two or more shares, he may appoint more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company but he must be present in person at the SGM to represent the member. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the SGM is enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, shall be delivered to the office of the Company's branch share registrar office and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and delivery of a form of proxy will not preclude a member from attending and voting in person at the SGM or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.
3. In the case of joint holders of a share, if more than one of such joint holders be present at the SGM either personally or by proxy, the vote of the senior who tenders a vote, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
4. The resolutions proposed to be approved at the SGM will be voted by way of poll.
5. In order to be eligible to attend and vote at the SGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar office and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23 February 2021.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the websites of the Company at <http://www.ceihldg.com> and the Stock Exchange at <http://www.hkexnews.hk> to notify members of the date, time and place of the rescheduled meeting.
7. **PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING**

In view of the current COVID-19 situation, the Company will implement the following precautionary measures at the SGM:

- (i) Compulsory body temperature checks will be conducted on every shareholder, proxy or other attendee at the entrance of meeting venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) Prior to entry into the meeting venue, the attendees will have to submit a completed health declaration form confirming their names and contact details, and be asked whether (a) they have travelled to, or to their best of knowledge had close contact with any person who has recently travelled to, areas outside of Hong Kong at any time in the preceding 21 days of the SGM; (b) they are subject to any compulsory quarantine prescribed by the Hong Kong Government; and (c) they have symptoms of the novel coronavirus. Any person who responds affirmatively to any one of the above questions will be denied entry into the meeting venue or be required to leave the meeting venue.
- (iii) Each attendee will be required to wear a surgical face mask throughout the meeting and inside the meeting venue.
- (iv) Appropriate distancing and spacing, if any, in line with the guidance from the Hong Kong Government from time to time will be maintained as required and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding.
- (v) **No gifts, food or beverages will be provided at the SGM.**